

JPRS 81002

8 June 1982

South and East Asia Report

No. 1150



FOREIGN BROADCAST INFORMATION SERVICE

NOTE

JPRS publications contain information primarily from foreign newspapers, periodicals and books, but also from news agency transmissions and broadcasts. Materials from foreign-language sources are translated; those from English-language sources are transcribed or reprinted, with the original phrasing and other characteristics retained.

Headlines, editorial reports, and material enclosed in brackets [] are supplied by JPRS. Processing indicators such as [Text] or [Excerpt] in the first line of each item, or following the last line of a brief, indicate how the original information was processed. Where no processing indicator is given, the information was summarized or extracted.

Unfamiliar names rendered phonetically or transliterated are enclosed in parentheses. Words or names preceded by a question mark and enclosed in parentheses were not clear in the original but have been supplied as appropriate in context. Other unattributed parenthetical notes within the body of an item originate with the source. Times within items are as given by source.

The contents of this publication in no way represent the policies, views or attitudes of the U.S. Government.

PROCUREMENT OF PUBLICATIONS

JPRS publications may be ordered from the National Technical Information Service, Springfield, Virginia 22161. In ordering, it is recommended that the JPRS number, title, date and author, if applicable, of publication be cited.

Current JPRS publications are announced in Government Reports Announcements issued semi-monthly by the National Technical Information Service, and are listed in the Monthly Catalog of U.S. Government Publications issued by the Superintendent of Documents, U.S. Government Printing Office, Washington, D.C. 20402.

Correspondence pertaining to matters other than procurement may be addressed to Joint Publications Research Service, 1000 North Glebe Road, Arlington, Virginia 22201.

8 June 1982

SOUTH AND EAST ASIA REPORT

No. 1150

CONTENTS

AUSTRALIA

- Queensland Premier Says Communists Plot Using Blacks
(David Broadbent; THE AGE, 2 Apr. 82)..... 1

BANGLADESH

- Text of Martial Law Regulation on Income Tax
(THE BANGLADESH OBSERVER, 30 Apr 82)..... 3
- Briefs
- Message to PRC 7
 - Inland Shipping Studied 7
 - Deputy Commissioners 7

INDIA

- Press Reports, Speculates on Gandhi Travel Plans
(THE TIMES OF INDIA, various dates; THE HINDU, various dates) 8
- Good Time for Washington Visit, by Girilal Jain
G.K. Reddy on Summit Politics, by G. K. Reddy
Need for U.S. Visit, by Girilal Jain
Postponement Reported, by Subhash Chakravarti
G. K. Reddy on Postponement, by G. K. Reddy
G. K. Reddy--Left Up to Reagan, by G. K. Reddy
- Text of Gandhi May Day Message to Indian Workers
(PATRIOT, 1 May 82) 17
- Gandhi Speeches Open May Electoral Campaign
(PATRIOT, 5 May 82) 18
- President Reddy's 3 May Speech in Dublin Reported
(N. Ravi; THE HINDU, 4 May 82) 20

ROK Seeks Indian Cooperation in Iron Ore Mining (PATRIOT, 29 Apr 82)	21
Polish Envoy Lauds Indian Reaction to Developments (PATRIOT, 5 May 82)	22
Palestinian Solidarity Meeting Held in Delhi (PATRIOT, 28 Apr 82; THE TIMES OF INDIA, 29 Apr 82)	23
Gandhi Message Reported Rao Message, Speeches	
Urs Leaves Congress-S To Form Regional Party (THE TIMES OF INDIA, 30 Apr 82)	25
Foreign Minister Speaks in Rajya Sabha on Zia Remarks (PATRIOT, 1 May 82)	26
Yadav Reelected Rajya Sabha Deputy Chairman (THE TIMES OF INDIA, 29 Apr 82)	28
'TIMES' Assesses Speech by U.S. Envoy in Pakistan (Editorial; THE TIMES OF INDIA, 30 Apr 82)	29
People's Liberation Army Appoints New Leader (PATRIOT, 28 Apr 82)	31
People's Front Formed To Unite Mass Organizations (THE STATESMAN, 30 Apr 82)	32
Center Bans Dal Khalsa, Khalistan Council (G.K. Reddy; THE HINDU, 2 May 82)	33
Analyst Scores Functioning of Party Politics (G. K. Reddy; THE HINDU, 2 82)	36
Congress-I Election Manifesto Summarized (PATRIOT, 3 May 82)	40
G. K. Reddy Writes on Campaign for May Polls (THE HINDU, 4 May 82)	42
Electronic Voting Machines Planned for May Polls (THE HINDU, 4 May 82)	43
Election Commission Issues Polling Guidelines (THE STATESMAN, 3 May 82)	44
Study Reveals GNP Growth Rate 'Not Significant' (THE TIMES OF INDIA, 3 May 82)	45
Planning Minister Talks to Consultative Committee (PATRIOT, 28 Apr 82)	46

Communist Leaders Issue Statement on Punjab (PATRIOT, 3 May 82)	47
Foreign Affairs Official Leaves for Havana (PATRIOT, 3 May 82)	48
Two CPI-ML Splinter Groups Reported To Merge (PATRIOT, 3 May 82)	49
Asian Development Bank Notified of Intent To Borrow (THE STATESMAN, 28 Apr 82)	50
Science, Technology Conference Opens in Delhi (PATRIOT, 4 May 82)	52
Rao Clarifies CPI Stand on State Autonomy (PATRIOT, 4 May 82)	54
Caste System Reported Gaining 'New Lease of Life' (THE HINDU, 4 May 82)	55
Paper Stresses Importance of Indian Exports (PATRIOT, 28 Apr 82)	56
Export Promotion Measures Role in Economy Exports to USSR	
Assistance to Sri Lanka Industrial Projects Planned (THE HINDU, 4 May 82)	68
Proposed Requirements for Foreign Tourists Outlined (K. N. Malik; THE TIMES OF INDIA, 2 May 82)	69
Arab Financiers Keen on Investment in India (G. K. Reddy; THE HINDU, 1 May 82)	71
Commerce Minister Reports Trade Gap Worsening (THE STATESMAN, 29 Apr 82)	72
Industrial Growth Rate Estimated at 13.7 Percent (PATRIOT, 28 Apr 82)	73
Rao Reports to Lok Sabha on Indians in Pakistan Jails (THE STATESMAN, 30 Apr 82)	74
Gandhi Writes Introduction to Book on India (THE TIMES OF INDIA, 3 May 82)	76
Briefs	
New Foreign Secretary	77
Appropriations Bill Passed	77
Ambassador to Austria	77
Swamy to PRC	77

PAKISTAN

Zia Says No Use of Police for Political Ends (BUSINESS RECORDER, 19 May 82)	78
U.S. Interpretation of Pacts With Pakistan Criticized (Rashid Chowdhry; CHATAN, 1 Mar 82)	80
Terrorist Murder of Political Leaders Aims at Destroying Pakistan (CHATAN, 15 Mar 82)	84
Pir Pagara Muslim League Official Comments on Political Situation (S.M. Zafar Interview; CHATAN, 15 Mar 82)	86
New Bar Association Head Discusses 1973 Constitution, Foreign Issues (Abid Hasan Manto Interview; CHATAN, 1 Mar 82)	94
Strings on IMP Aid for Third World Criticized (Editorial; BUSINESS RECORDER, 19 Mar 82)	98
Pakistan-Libya Trade Growth Hurdle Discussed (BUSINESS RECORDER, 18 May 82)	100
World Bank Team Appraising Loan (BUSINESS RECORDER, 18 May 82)	101
U.S. Business Leader on Joint Ventures (BUSINESS RECORDER, 18 May 82)	102
Credit Facilities in 10,000 Villages (BUSINESS RECORDER, 18 May 82)	103
Power Supply Progress in Azad Kashmir (BUSINESS RECORDER, 18 May 82)	104
Work Underway To Develop Pirkoh, Dhodak Gas (BUSINESS RECORDER, 18 May 82)	105
Aid for Punjab Small Industries (BUSINESS RECORDER, 18 May 82)	106
Delinking, Industrial Investment Probed (Aftab Ahmed; BUSINESS RECORDER, 18 May 82)	107
Steps Toward Mechanization of Small Farms Lauded (Editorial; BUSINESS RECORDER, 18 May 82)	110
Credit for Tobacco Industry Arranged (S.M. Azad; MORNING NEWS, 17 May 82)	112
Private Sector Mobilization Project Discussed (MORNING NEWS, 17 May 82)	114

Loan Agreement Signed (MORNING NEWS, 18 May 82)	116
Afghan Mujahedin Spirit Said To Be Very High (MORNING NEWS, 18 May 82)	117
Call for Stepping Up Pakistan-German Collaborations (MORNING NEWS, 18 May 82)	118
Briefs	
Pak-Iraq Joint Commission	119
Joint Small Motorcycle Venture	119
Cement Plant	119
Order Promulgated in Punjab	119
Development at Islamabad Airport	120
Direct Mayor Elections Demanded	120
New Air Marshal	120
Sugar Mills in Sind	120
Outgoing Ambassador's Farewell Call	121
Urdu Teleprinters in August	121
New Islamic Consultant	121
New Bangladesh Ambassador	121
Aid for Refugees	121
Sixty Industrial Projects Completed	122

THAILAND

Columnist Reacts to Possibility of U.S. Bases (Ta Mo Lo; BAN MUANG, 29 Apr 82)	123
Bank Official on Options, Weaknesses of Financial System (Supachai Panitchpakdi Interview; THE NATION REVIEW, 19 Apr 82)	126
Personality Conflicts in Kriangsak Party Defy Solution (Surachai Vongsupalak; THE NATION REVIEW, 29 Apr 82)	131
Offshore Gas Pipeline Deteriorating (BANGKOK POST, 30 Apr 82)	133
Problems in PRC Trade Discussed (Pussadee Keetavoranart; THE NATION REVIEW, 16 Apr 82)	134
Labor Market in Middle East Said Declining (THE NATION REVIEW, 30 Apr 82)	135
Foreign-Bound Labor Situation Discussed (THE NATION REVIEW, 4 May 82)	136
Labor Leaders Face Internal Problems (THE NATION REVIEW, 1 May 82)	140
Labor Movement Seen as Problem-Plagued (Supoj Panichwongse; BANGKOK POST, 1 May 82)	142

Alternative Energy Use Projected by Energy Office (DAO SIAM, 21 Apr 82)	144
Military Reserve Affairs To Be Coordinated at National Level (DAO SIAM, 6 May 82)	146
Reservists To Get Role in Local Development, Security (DAO SIAM, 30 Apr 82)	147
Student Builds Nation's First Laser (BANGKOK POST, 16 Apr 82)	148
Baht Devaluation This Year Unlikely (BANGKOK POST, 16 Apr 82)	149
Briefs Hilltribe Census	150

QUEENSLAND PREMIER SAYS COMMUNISTS PLOT USING BLACKS

Melbourne THE AGE in English 2 Apr 82 pp 1, 3

[Article by David Broadbent]

[Text] BRISBANE.--Senior Queensland Ministers yesterday expressed open dismay at the action of the Premier, Mr Bjelke-Petersen, in producing an expelled Victorian communist to support claims that the Aboriginal land rights movement was a Soviet plot.

Mr Bjelke-Petersen drew Opposition cries of "sick!", "sick!" when he told Parliament that the former communist, now an official of the Victorian Pastry-cooks and Biscuit Makers' Union, Mr Geoff McDonald, had proof that Aboriginal land would be used as bases for foreign assaults on Australia.

Mr Bjelke-Petersen, who in the past has said it was impossible to trust a person who had ever been a communist or socialist, told Parliament: "I agree with Mr McDonald. Their goal is long term. The goal is the prize of political control of Australia, our heritage and our future."

Government Ministers and advisers were embarrassed because it was the Premier's first normal response to a call by the leaders of the Anglican, Catholic and Uniting Churches for guaranteed security for Aborigines over their land.

The church leaders released a leading Queens Counsel's assessment that the Queensland Aboriginal Land Rights Act did absolutely nothing to give Aborigines security over reserve land.

Earlier, Mr Bjelke-Petersen had privately told a Catholic Church official that Aborigines with land would soon end up worshipping the "ganna spirit instead of God".

Mr Bjelke-Petersen said Mr McDonald had been a communist for many years but now had a deep and real concern for the defence and security of Australia.

Mr Bjelke-Petersen said Mr McDonald had confirmed his view that organisations such as the Aboriginal Treaty Committee (headed by the former Reserve Bank governor, Dr Herbert Coombs) was part of a long range communist strategy.

"Their plan is to alienate Aboriginal lands from the Australian nation so that a fragmented north could be used for subversive activities by other countries. This plan is now coming to fruition," he said.

The Premier named in Parliament the Queensland Aboriginal activists, Mr Shorty O'Neill, Mr Bob Weatherall and Mr Mick Miller, as "puppets of the communist cause".

At a Press conference later, Mr McDonald said he had been expelled from the Communist Party 18 years ago because "I predicted the split between Russia and China". He said he had written to the Premier praising his anti-communist stand.

Without producing any evidence, he said it was known that communists wanted to use Aborigines to launch their takeover of Australia.

He went on to make numerous unpublishable remarks about patriotism of everybody associated with the Aboriginal treaty movement.

One coalition Minister with close church convictions said after hearing a tape recording of the Press conference: "This is in the same class as the Horvarth hydrogen car," a reference to a car that was supposed to drive on a tank full of water and development of which was supported by Mr Bjelke-Peterson.

In Parliament the Premier also tabled a letter from Lady Cilento, saying that her husband, Sir Raphael, had been told at the United Nations in 1950 that it was a long range communist plan to control Aborigines.

Mr Bjelke-Petersen said the activities of many land rights activists amounted to treason, but did not say why charges had not been laid against any traitors.

He said he had not passed his information on to the Defence Department or to ASIO because if they did not know these things already, they would never know.

The Opposition Leader, Mr Casey, described the claims as the ramblings of a "tired old man who is out of date, out of touch and living in the past."

Mr Casey said the claims amounted to the greatest of all April Food's Day hoaxes.

The Federal Aboriginal Affairs Minister, Senator Baume, also said last night the Premier's assertions had ~~be~~ be an April Fool's joke.

CSO:: 4220/6011

TEXT OF MARTIAL LAW REGULATION ON INCOME TAX

Dacca THE BANGLADESH OBSERVER in English 30 Apr 82 pp 1, 12

[Text] The Chief Martial Law Administrator on Thursday promulgated the Income-Tax (Disclosure of Income) Regulation which has come into force immediately, according to an official handout on Thursday night reports BBS.

The new Martial Law Regulation provided the opportunity of filing revised return of the true income of any person from the assessment year 1976-77 or any subsequent assessment year up to and including the assessment year 1981-82 by June 15.

Following is the text of the Regulation:

Whereas it is expedient to make a Martial Law Regulation for the purposes hereinafter appearing.

Now, therefore, in pursuance of the Proclamation of the 24th March, 1982, and in exercise of all powers enabling him in that behalf, the Chief Martial Law Administrator is pleased to make the following Regulation, namely:

1. (1) This Regulation may be called the Income-Tax (Disclosure of Income) Regulation, 1982.

(2) It shall come into force atonce.

2. (1) Any person who, having filed the return of his income under the Income-tax Act, 1922, for the assessment year 1976-77 (that is, income during this year 1975-76) or any subsequent assessment year up to and including the assessment year 1981-82 (that is, income during 1980-81), has reason to believe that the return so filed is not correct, may file a revised return, in the Form annexed to this Regulation of his true income by the 15 June 1982.

(2) In case it is not possible for him to compile the revised return separately for each year, he may file a consolidated statement showing his true income for the entire period by the 15 June, 1982.

3. Any person who having income assessable under the Income-tax Act, 1922, has never filed his return of income or whose income has never been assessed to tax for the assessment year 1976-77 or any subsequent assessment year up to and including the assessment year 1981-82, may file a return or returns or a consolidated statement, in the Form annexed to this Regulation, of his true income for the aforesaid assessment years by the 15 June 1982.

4. No action of any kind whatsoever under the Income-tax Act, 1922, shall be taken against the person concerned for having submitted an incorrect return originally or for not submitting any return earlier, nor will the fact of his having filed a revised return be taken as a ground for re-opening any assessment under Section 34 of the Income-tax Act, 1922.

5. (1) For the purposes of this Regulation the expression "untaxed income," occurring hereinafter, shall mean the difference between the true income to be declared and the income shown in the return filed earlier or, if no return was filed earlier, the true income to be declared by the person in question, as the case may be.

(2) The untaxed income referred to in this Regulation shall include income held abroad in foreign exchange by a Bangladeshi national. Such foreign exchange held abroad may also be declared and repatriated in a manner to be prescribed by the Bangladesh Bank.

6. (1) The untaxed income, if invested in the manner specified in subparagraph (2), within one year of the commencement of this Regulation, shall be assessed for payment of taxes at the flat rate of fifteen per cent.

(2) The untaxed income may be invested in the following manner:

(a) Purchase of Savings Certificates, Defence Savings Certificates or investment in any other savings schemes of the Government;

(b) Purchase of government bonds;

(c) Purchase of Unit Certificates issued by the Investment Corporation of Bangladesh;

(d) Purchase of abandoned houses and properties put on sale by the Government;

(e) construction of multi-storied residential or commercial buildings or both;

(f) purchase of industrial and commercial units and companies disinvested by the Government;

(g) investment in setting up new sanctioned industrial units;

(h) purchase of commercial vehicles for example, trucks buses, minibus, taxi cabs, microbus, coasters, autorickshaw etc.;

(i) purchase of river and ocean-going vessels including trawlers;

(j) purchase of irrigation equipment from authorised organisation or sellers;

(k) purchase of shares of public limited companies including banks;

(l) repayment of overdue loans of banks or financial institutions;

(m) investment in any other manner or form that may be prescribed or notified by the Government from time to time.

Provided that not more than 25 per cent can be invested in items para 6(2) (a) or (b) or both and shall not be encashed for a period of at least two years.

If the untaxed income is not invested in the manner specified in sub-paragraph (2) within one year of the commencement of this Regulation, it shall be assessed for payment of taxes at the flat rate of thirty per cent.

(4) A person who, at the time of submission of his return, expresses in writing his intention to make investment of his untaxed income in the manner specified in sub-paragraph (2) shall pay tax at the rate mentioned in sub-paragraph (1) at that time.

Provided that if his untaxed income consists of any income earned and held abroad, he may pay the tax within one month of the submission of his return.

(5) A person who has expressed such intention shall submit a statement of actual investment made by him during the year following the commencement of this Regulation within one month of the expiry of that year, and if his actual investment falls short of the intended investment he shall be liable to pay tax at the rate mentioned in sub-paragraph (3).

(6) A person who, at the time of submission of his return, does not express any such intention shall pay tax at the rate mentioned in sub-paragraph (3) at that time.

Provided that if his untaxed income consists of any income earned and held abroad he may pay the tax within one month of the submission of his return.

7. The National Board of Revenue may with the prior approval of the Chief Martial Law Administrator, make such rules or issue such orders, instructions or directions consistent with this Regulation as it may consider necessary to give effect to the provisions of this Regulation or concerning matters connected therewith, and all such rules, orders, instructions and directions shall be deemed to form a part of this Regulation and shall have effect accordingly.

8. Whoever deliberately makes a false declaration of untaxed income or conceals any part of his true income or submits inaccurate particulars shall be punishable with rigorous imprisonment for a term which may extend to seven years, and shall also be liable to fine or to suffer confiscation of the whole or any part of his property.

9. No Court shall take cognizance of any offence punishable under this Regulation unless a complaint in writing is made of the facts constituting it by the National Board of Revenue or any officer authorised by the National Board of Revenue in this behalf.

Form of Return of Untaxed Income Under Martial Law Regulation No V of 1982.

(See Paragraphs 2(1) and 3)

1. Name of the declarant...
2. Profession and/or ownership of business with address
3. Father's name/husband's name...
4. Residential address with telephone number, if any...
5. Residential address with telephone number, if any...
6. Business address with telephone number, if any...
7. C.I.R./T.R. No. if existing...
8. Amount of untaxed income of the declarant...

Year

Local Currency

Foreign Currency

(Signature of the declarant)

Declaration

I, ... hereby declare that to the best of my knowledge and belief the information and particulars incorporated in this return(s)/statement of income are correct and I have declared my true income in respect of assessment year 19... to 19...

Dated...

(Signature of declarant)

CSO: 4220/7275

BRIEFS

MESSAGE TO PRC--Lt. General H.M. Ershad, Chief Martial Law Administrator and Commander-in-Chief of the Bangladesh Armed Forces, has sent the following message of condolence to Mr. Zhao Ziyang, Premier of the State Council of the People's Republic of China, on the loss of lives in an air crash in Southern China, says a PID handout. "Excellency. We are deeply shocked and grieved to learn about the loss of valuable lives in an air crash involving an aircraft of the Chinese National Airlines in Southern China. On behalf of the Government and the people of Bangladesh and on my own behalf I convey to Your Excellency our deepest sympathies and condolences and through you to the members of the bereaved families. Please accept, Excellency, the assurances of my highest consideration." [Text] [Dacca THE BANGLADESH OBSERVER in English 30 Apr 82 p 1]

INLAND SHIPPING STUDIED--The Government has constituted a seven-member Committee headed by Capt. Q.A.B.M. Rahman formerly Director-General, Department of Shipping, for suggesting amendments of existing provisions of Inland Shipping Ordinance 1976 for smooth operation of inland vessels says a PID handout. The Committee will look into the problems of inland water traffic and suggest measures for their improvement. It will examine the existing pay structure of the employees in relation to their responsibilities and make suitable recommendations in this regard. The Committee will also work out a Crash Programme for training at least 100 masters and drivers annually through condensed course. The facilities will be given to the employees who are already employed in inland vessels. Fresh entrants will be admitted if spaces are available. The Committee has been asked to submit its report to the Government by May 17. [Text] [Dacca THE BANGLADESH OBSERVER in English 30 Apr 82 p 1]

DEPUTY COMMISSIONERS--It has been decided by the Government that henceforth not more than three Additional Deputy Commissioners (ADC) will work in a single district at a time, according to a Press release of the CMLA's Secretariat issued in Dacca on Thursday, says a PID handout. The surplus ADCs will be employed as Magistrates for disposal of pending cases in the civil and criminal courts with a view to expediting the dispensation of justice. It may be mentioned that at present there are five ADCs in each district except Dacca, Chittagong and Khulna. In these districts there are seven ADCs each. [Text] [Dacca THE BANGLADESH OBSERVER in English 30 Apr 82 p 1]

CSO: 4220/7276

PRESS REPORTS, SPECULATES ON GANDHI TRAVEL PLANS

Good Time for Washington Visit

Bombay THE TIMES OF INDIA in English 25 Apr 82 Supplement pp 1, 5

[Article by Girilal Jain]

[Text]

PRESIDENT Reagan's invitation to Mrs. Gandhi amidst his urgent domestic and foreign policy preoccupations is a surprise and so is her immediate acceptance of it. If adequate preparatory discussions have taken place, these have been kept a closely guarded secret.

The Reagan-Indira meeting at the north-south summit in Cancun in July 1981 was cordial. Indeed, the U.S. president let it be known publicly that his aides had let him down in their assessment of the Indian prime minister. She was not the ogre they had represented her to be.

But it was an insubstantial meeting. Mrs. Gandhi did not even raise the issue which was perhaps uppermost in her mind—the U.S. decision to supply the highly sophisticated F-16 aircraft and other military equipment to Pakistan which despite the Soviet presence in Afghanistan continues to regard this country as the principal threat to its security. As such, Cancun cannot have paved the way for the invitation and its ready acceptance.

Mrs. Gandhi has been keen to mend fences with the United States, if that is possible, and, if not, at least to avoid unnecessary recriminations and bitterness. The reasons are obvious. Despite the decline in its status, power and influence in the world, the United States remains the only superpower in the proper sense of the term and it cannot

pay India to attract its displeasure, especially now when the Soviet Union is facing enormous problems at home and abroad. India needs America's support if unnecessary hurdles are not to arise in the utilisation of the \$5.7 billion IMF loan and it requires continued supply of enriched uranium from it for the Tarapur plant. Above all, a friendly White House can be depended upon to use its influence in Islamabad in favour of peace and amity in the sub-continent. It may fail us as it did in 1965. But it is worth noting that Islamabad would in all probability not have sent thousands of armed infiltrators into Jammu and Kashmir if Washington had protested against the use of U.S. gifted weapons in the Rann of Kutch some months earlier.

But how can Mrs. Gandhi hope to accomplish this task of befriending the present administration in Washington so long as there is no firm sign of a shift in its policy towards the region which she considers, quite rightly, as being ill-advised and short-sighted? Needless to add, there is so far no evidence to suggest that the United States is reviewing its earlier decision to treat Pakistan as a front-line state in the conflict with the Soviet Union and rearm it accordingly. Or that it is re-examining its excessive reliance on its own military presence to preserve a measure of order and stability in the oil-rich Gulf.

Similarly, while Mr. Reagan may have revised his earlier unin-

formed opinion that India under Mrs. Gandhi is a Soviet surrogate (the State Department has not shared this view which the Pentagon has put forward) and may wish to ensure that it does not feel compelled to draw closer to Moscow, he cannot possibly be under the illusion that New Delhi will cheerfully acquiesce in America's present policies in South Asia and the adjoining Gulf. Why then the invitation? Frankly, the reasons are rather obscure. All that we can say just now is that Washington has reasons to undertake what John Foster Dulles called an "agonising reappraisal" of its overall foreign and defence policies.

Friendly relations with India can add to the legitimacy of pro-Western regimes such as Saudi Arabia in the region.

The central scheme of President Reagan's entire foreign and defence policies is under attack in the United States itself. The anti-nuclear sentiment and movement have, for instance, suddenly gathered momentum, posing a serious challenge to the White House. The American people now seem to favour not an attempt to acquire a first-strike capability (the capacity to cripple the Soviet nuclear force in one fell swoop) but arms limitation discussions with the Soviet Union. They have left the administration in no doubt that they do not want American soldiers to be sent to El Salvador, or any other country which is plunged in civil war. The so-called *Cherry civil* has not turned out to be particularly reliable. All these developments should have a bearing on America's India policy.

These larger foreign-defence policy issues facing the Reagan administration need not detain us here. More relevant for us is the fact that developments in the Gulf region on India's doorstep should emphasise for discerning policy planners in Washington the value of friendly ties with this country. In view of Washington's past record, one cannot be sure that they recognise the obvious. But may be they are beginning to do so. Maybe the invitation to Mrs. Gandhi is an expression of this new awareness.

New Delhi should not discount this possibility, especially in the context of Pakistan's efforts to conclude a no-war pact with it. Most of us have seen this move by Islamabad, and understandably so wholly in the context of the unhappy history of Indo-Pakistan relations. But there cannot be much doubt that Islamabad has taken this initiative at least partly as a result of America's prodding. If there was any scope for doubt on this score, it should have been cleared when President Zia-ul-Haq removed Mr. Agha Shahi as his foreign minister and appointed in his place General Yaqub whom the U.S. administration trusts. That apart, there has taken place a most significant development in the Gulf region which must cause considerable anxiety in the United States.

It is difficult for us to say whether or not U.S. intelligence agencies had anticipated Iran's spectacular victories over Iraq in recent weeks. But we can say that these have exposed the vulnerability of a policy which has been centred almost wholly on the perception of a Soviet threat, direct or indirect, to conservative and broadly pro-Western regimes in the area. If a spectre haunts the Gulf, it emanates from the mullahs in Teheran, not from the communists in Moscow or anywhere else. As far as we can see, the Americans cannot meet this challenge by themselves. Since the challenge is not military in nature, it cannot be met by military means.

It will be rash for anyone to predict the consequences of the Iranian victories over Iraq. For all we know, Saddam Hussein may survive. He is said to have decimated the Al Dawas, the militant Shia underground organisation, and purged and executed potential opponents in the armed forces and the ruling Baath Party. These ruthless moves do not guarantee his survival but they do improve his chances of riding out the storm.

This is especially so because it is not possible to anticipate the course of events in Iran itself. Ayatollah Khomeini is an ailing old man and no one can quite fill his role, should he disappear from the scene. But the victories give the mullahs additional legitimacy in the eyes of their own people and strengthen their appeal to the Muslims, especially the Shias among them, elsewhere. This is not a prospect which can please American policy planners.

Where does India come into all this? One answer is fairly obvious. It is within this country's capacity to give or deny a sense of security to the Pakistani rulers. The other answer is not so obvious although it is equally significant. Friendly relations with India can add to the legitimacy of pro-Western regimes such as Saudi Arabia in the region. They will also need to revive co-operation with Egypt in order to create an atmosphere in which they can feel safe.

We do not know what role the United States has assigned to Pakistan and what precise role President Zia has agreed to play. Last year there were reports that Pakistan has agreed to deploy two divisions in Saudi Arabia to look after the ruling family's security. These were superseded by other reports which suggested that Islamabad would keep ready at home two divisions which can be airlifted to Saudi Arabia in the event of an emergency. Saudi willingness to pick up the bill for Pakistan's military purchases in the United States strengthens the impression that a tripartite arrangement involving America, Saudi Arabia and Pakistan does indeed exist.

The plan, whoever its author, is a non-starter. In view of Iran's new possible appeal to Muslim fundamentalists in general and the fanatics among the Shias in particular, it is highly unlikely that Pakistan will send its troops abroad and risk Teheran's displeasure and denunciation. If Field Marshal Ayub Khan could not send one brigade to fight communists in Vietnam in 1961 after having promised the Americans, General Zia is not likely to be able to despatch troops to fight fellow Muslims. Should a contingency arise, the American plans in this regard will turn out to be a fantasy.

That, however, is not our concern. Pertinent for us is the fact that the Americans appear to have concluded that Pakistan needs assurance of security on its eastern borders in order to be able to play any worthwhile role in the Gulf. The Shah of Iran had come to a similar conclusion after the Bangladesh war. That was why he reversed his earlier policy and decided to seek good relations with this country. Saudi Arabia rulers, too, may have arrived at the same decision.

Perhaps Washington has reasons to undertake what John Foster Dulles called an "agonising reappraisal" of its overall foreign and defence policies.

All this could give us a leverage with the United States which we can depend on Mrs. Gandhi to use effectively. This leverage would not have been available to us if she had accepted the ill-considered suggestions to discontinue the modernisation of the Indian armed forces, to give up criticism of the U.S. decision to arm Pakistan and to accept Islamabad's protestations of friendly intent at face value. But these very circumstances place us in a difficult position. In our discussions with the Americans on our problems with Pakistan, we will be under great pressure to be

"reasonable and flexible". We should be reasonable and flexible but not at the cost of encouraging the Pakistanis to believe that they can have our friendship and yet retain the right to agitate the Kashmir issue.

An opening with the United States need not embarrass our intimate relations with the Soviet Union. The Kremlin, too, wants stability and peace on its southern borders and has reason to be wary of the fundamentalists in Teheran. In the early seventies, Moscow welcomed New Delhi's growing ties with Teheran though the Shah occupied an even more important place in the American scheme than does King Khalid today. By the same logic, it should favour ties between this country and Saudi Arabia.

Mrs. Gandhi believes in the policy of "open covenants openly arrived at". She made the point forcefully when on the eve of her departure for Saudi Arabia, she announced that she would be visiting the Soviet Union in June and the United States in July.

G. K. Reddy on Summit Politics

Madras THE HINDU in English 25 Apr 82 p 2

[Article by G. K. Reddy]

[Text]

THERE is never a dull moment on the diplomatic front in Delhi, since something or the other keeps happening in some part of the world that directly or indirectly affects India's own policies or postures. Though not a major power centre, India serves as a sounding board for gauging the responses of the Third World to global events. It is this aspect of the country's foreign policy that attracts international attention, compelling others to take due note of its attitudes.

The winter season is traditionally a busy period in Delhi with so many heads of State or government, not to speak of Foreign Ministers and other Ministers, paying official visits to renew old friendships or strengthen existing relations. There are so many foreign dignitaries wanting to pay independent visits or stop over for a few days while passing through the country during trips to other places that the VIP season has been spilling over to the summer months despite the hazards of Delhi's hot weather for those from cooler climes.

Mid-summer meetings

But in these days of flying diplomacy, the main accent is no longer on the ceremonial part of State visits, since most of the time is devoted to talks conducted in air-conditioned

comfort. It is not uncommon, therefore, for a Soviet leader to make a trip to Delhi in mid-summer if the exigencies of an international development call for such a visit. The Western statesmen, too, have been visiting the desert kingdoms of West Asia in summer braving the intense summer heat to do business or influence the oil-rich Arab States.

The Indian Prime Ministers, who used to go to other countries in the past mostly during the summer months, have been obliged to spread out their foreign trips to other seasons, because of the ever increasing number of such visits. After her return to power Mrs. Indira Gandhi did not go abroad for a year because she was in mourning following the tragic death of her younger son. The only two exceptions she made was to visit Salisbury to participate in Zimbabwe's independence celebrations and then go to Belgrade to attend the funeral of Marshal Tito, one of the founders of the non-aligned movement. These two trips, however, turned out to be full working visits since she utilised the opportunity to meet many of the world statesmen present.

Busy months

But she has been having a fairly heavy schedule of foreign trips during the second and third year of her current tenure, visiting

foreign countries and attending a number of international conferences. The next few months are going to be particularly busy for her since the heavy schedule includes visits to both Moscow and Washington. A lot of preparatory work goes into each visit since it involves talks on a wide range of subjects, both bilateral issues and international developments. A State visit is not all that glamorous as it looks in newsreels or TV reports, since one is kept busy all the time to make the maximum utilisation of the occasion.

It is the stimulus of power that enables a head of government to bear this strain. But the heavy responsibilities of State which one cannot shed even on such trips abroad begin to wear a Prime Minister down. After the glittering airport receptions, the State drives through crowded thoroughfares and sumptuous banquets, there are time-consuming and often exasperating talks behind the scenes. The need to make one's point of view adequately known, resist pressures to commit oneself to a formulation in a statement or communicate that could be embarrassing in the long run or go along with one's hosts up to a point to highlight the common denominators of agreement while putting a gloss over their differing perceptions can be a tricky job requiring the exercise of utmost caution in dealing with the susceptibilities of other nations.

Doubly burdensome

A Prime Minister like Mrs. Gandhi has to divide her time between domestic affairs and foreign affairs depending on developments. As she has to deal with both party and governmental affairs on the home front, she is not left with enough time to pay any detailed attention to foreign affairs other than broad generalities, except on occasions when the country is engaged in complex negotiations as in the case of China or Pakistan. Otherwise her interest in foreign affairs takes the form of a sustained projection of her political personality, to stress the country's commitment to certain basic principles. It is essentially in this context that her summit politics acquires exceptional importance.

After her return to power, Mrs. Gandhi received 28 heads of State or government in Delhi and visited 17 countries and attended or addressed four major international conferences abroad, besides inaugurating 12 such gatherings in Delhi. She is due to visit two other countries, including the U.S. and the Soviet Union, in the next two months and perhaps three or four more before the end of this year. Each one of these visits, either of a foreign dignitary to India or Mrs. Gandhi's trips abroad, called for weeks of preparation depending on the nature of bilateral relations or international developments requiring detailed discussions. In a country like India where the Prime Minister often functions concurrently as her own Foreign Minister, Defence Minister or Finance Minister, the task becomes doubly burdensome even at the best of times.

Diplomatic skill

Both her admirers and critics recall with unqualified appreciation the extraordinary

diplomatic skill Mrs. Gandhi displayed in 1971, in the face of the U.S. tilt towards Pakistan, in mobilising worldwide support for the Indian stand during the Bangladesh conflict. As the Indian armed forces were preparing for the inevitable showdown, she went on a tour of several capitals to discuss the grave implications of the mounting crisis and leave the big powers in no doubt whatsoever that if it was compelled to intervene India would not hesitate to do so in the larger interests of peace and stability in the subcontinent. A pointed question was put to her by the then British Prime Minister, Sir Alec Douglas-Home, who asked whether there was going to be a war between India and Pakistan. Her cryptic reply was that India would not start it.

As it so happened, Dr. Henry Kissinger later credited Mrs. Gandhi in his memoirs with Machiavellian skill more to justify his own duplicity than to compliment her for her extraordinary courage in taking this calculated risk with singular determination. She came out with flying colours from his account of the Bangladesh crisis, despite his brave attempts to justify the Nixon Administration's ignoble role in it. What was thus intended to be a left-handed compliment, more in the nature of a patronising foot-note to his own part in it, turned out to be an unsolicited admission by one of the most conceited practitioners of the art of modern diplomacy that he had been successfully checkmated and even outmanoeuvred in this squalid business of condoning a genocide.

Field tests

A fact that is not generally known is that she would never have signed the friendship treaty with the Soviet Union in 1971 had it not been for Dr. Kissinger's veiled threat, during a private luncheon meeting with two of her closest advisers at Roosevelt House in New Delhi in July 1971, while he was preparing to make his secret trip to Beijing, that if India got into another scrap with China in the wake of a war with Pakistan over Bangladesh it should not count on the U.S. to come to its rescue again. After resisting Moscow's overtures for years, she took the plunge and signed the treaty a month later as a safeguard against the possibility of Chinese intervention, when it became known that Mr. Nixon was embarking on the big gamble of wooing China on Dr. Kissinger's advice in the midst of the Vietnam war to outwit the Soviet Union.

The forthcoming visits of the Prime Minister to Moscow and Washington will be the two crucial field tests of her diplomacy since her return to power, when India is faced once again with the threat of a confrontation with Pakistan. The scenario is roughly the same as in 1971 with the U.S. bent on repeating the fatal mistake of backing Pakistan by rearming it and in the process pushing India a second time into the lap of the Kremlin. After Kampuchea and Afghanistan, the Soviet Union has become so friendless in Asia that it needs India much more than India needs it. Yet the monumental U.S. folly of arming Pakistan

is making India dependent on Soviet assistance for its defence and it is happening at a time when Mrs. Gandhi has openly fallen out with both the communist parties and been voicing her unhappiness over the continued Soviet presence in Afghanistan.

Trump card

The Prime Minister will have an opportunity for the second time in her chequered political career to twist another American President in the White House and put it as politely as possible that he is as wrong as Mr. Nixon in his assessment of the Indo-Pak. situation. A few weeks back Mrs. Gandhi wrote to the heads of all the important Western nations including the U.S. President on the question of the next replenishment of the International Development Association. Though Mr. Reagan continued to adhere to his rigid position, she played her trump card of persuading Mrs. Thatcher to agree to the replenishment and announce the British decision without consulting Washington. It made the other European countries, especially West Germany and France, adopt a similar stance leading to an increasing isolation of the Reagan Administration.

In the correspondence that followed with Mr. Reagan on the subject, Mrs. Gandhi threw a pointed hint that fundamental differences

of this nature could not be resolved by merely restating each other's positions in written communications. The White House took the hint and extended her an invitation to visit Washington as though it was responding to her own suggestion that this matter, along with other pending issues, should be tackled through personal discussions. But the grace of the invitation has been partly lost by making a parallel request to General Zia-ul-Haq in a balancing act that he should also pay a visit to Washington soon.

Chastened mood

The new Administration is certainly in a chastened mood now than it was a year ago soon after assuming office with one of the biggest victories in an American election. The mounting domestic criticism is dampening the enthusiasm of the Reaganites for an abrupt lurch to the right to the point of becoming prisoners of a new orthodoxy based partly on prejudice and partly on ignorance of world opinion. And if Mrs. Gandhi can nudge them to shed some of their grand illusions and start looking at the world as it is and not what it should be, she would have done an immense service to the American people themselves.

Need for U.S. Visit

Bombay THE TIMES OF INDIA in English 28 Apr 82 p 8

[Article by Girilal Jain]

[Text]

In an article last Sunday on Mrs. Gandhi's forthcoming visit to Washington, I argued that the obvious disarray in the Reagan administration's foreign and defence policies should enable her to command a sympathetic hearing for the Indian point of view. But what is the Indian point of view?

In the formulation of our policy, we have as a rule been strong on principles and weak on details. Thus we have parrot-like talked of non-alignment, anti-imperialism and anti-racialism as if they were a substitute for a precise definition of our interests from time to time and for an active pursuit of those interests through proper instruments.

This weakness has, of course, not been peculiar to us. What to speak of newly liberated countries with little experience of international relations, the super-powers themselves have suffered from it since the onset of the cold war in the 'forties. Indeed, the cold war itself has been the result not so much of a clash of specific and identifiable interests as of the supposed conflict of ideologies which Mr. Nehru appropriately compared with

religious wars of yore. But that cannot justify our own lack of precision and neglect of details.

It is generally not appreciated that this emphasis on principles has been an expression of defensiveness on our part. We have often been accused of being self-righteous. The charge has not been wholly unfounded. We do tend to strike moral postures. But such posturing in reality amounts to a refusal to engage in meaningful discussions with our interlocutors and to relate ourselves to reality. We have sought refuge in slogans, specially in our dealings with the United States and the Soviet Union, because we have been afraid of interacting with one for fear of annoying the other.

Strange Contradiction

This has created a strange contradiction between the appearance and the reality of our foreign policy. While we have been seen to be active and occasionally even aggressive actors on the international stage, we have in fact been evasive and defensive. One result has been that we have not acquired the capacity to influence U.S. and

Soviet policies in our own and adjoining regions.

Let us take the example of Pakistan and examine how we have handled the problems arising out of our conflict with it in our dealings with the West, especially, the United States.

Soon after the sub-continent's partition and independence, Sir Olaf Caroe, an eminent British civil servant with long association with India, expounded a geo-strategic concept which firmly placed the newly established Pakistan in the Central Asian and the Persian Gulf framework. He argued that since the defence of oil interests in the Gulf region against Soviet encroachments would be of the greatest importance for the western world, Pakistan must have precedence over India in the West's schemes and plans in the area.

Indian policy-makers challenged some of his propositions. They, for example, contested the view that a power vacuum had arisen in the region as a result of the liquidation of the British empire in the sub-continent, that the Soviet Union was an expansionist power by virtue of its Marxist-Leninist ideology and the Czarist-imperialist inheritance, and that the West needed to erect a new alliance system to contain the Soviet Union. Subsequently as Arab "nationalism" began to assert itself in the mid-fifties through President Nasser, they also argued that the West-sponsored alliance of "northern tier" states was likely to endanger western interests rather than promote them.

But it is doubtful whether in their discussions with their western counterparts the Indian policy-makers ever emphasised strongly enough the fact that Pakistan, for good or ill, belonged to the sub-continent and that it could not be torn from this setting and attached either to Central Asia or the Gulf. This issue is still extremely important for us and therefore deserves to be carefully examined. In fact, it should form an important part of our dialogue with the Americans because their decision to provide F-16 aircraft and other highly sophisticated military equipment to Pakistan springs from the same assumption which Sir Olaf made and propounded over three decades ago.

Two Impulses

Beneath the surface of the Nehru framework, two impulses have informed the approach of many of us to the question of Pakistan's identity and place in the world. Having grown up under the British influence, we have tended to think

of the Hindukush being the natural line of defence for the sub-continent and to believe that religion and not ethnicity is the principal determinant of a society's identity. Thus many of our military top brass and intellectuals have been in sympathy with the Anglo-U.S. view that it is necessary to build a defensive barrier to check Soviet expansionism and that Pakistan must be an essential constituent of that barrier. Their advocacy of Indo-Pakistan friendship is also partly the product of their understanding of this wider problem.

Both these propositions are erroneous. Even if we assume for the sake of argument that the Soviet leadership nurses expansionist ambitions, it cannot follow that it will pursue the old Czarist course and seek to annex Afghanistan and Iran in order to get to the warm water ports in the Gulf. As everyone knows, the terrain in Afghanistan and Iran is impossible and the Soviet Union is no longer a mere land power. Having developed the second most powerful navy in the world, it can get to the Gulf, if it is so inclined, through the easier and cheaper sea route.

But let us put that aside for the time being. Let us accept that the Soviet leadership is still guided by the Czarist approach which undoubtedly influenced Stalin and found expression first in the Molotov-Ribbentrop Pact of 1939 whereby Moscow indicated an interest in areas south of its present border and then in its efforts to set up pro-communist regimes in Iranian Azerbaijan and Iraqi Kurdistan. Even then, we have no option to conclude that the task of organising a countervailing defence system is impossible for want of unity of outlook and purpose among the countries concerned and that Pakistan cannot in any case belong to such an arrangement, the protestations of its rulers notwithstanding.

Nature has made South Asia a distinct geographical entity and history has given it a distinct cultural identity. That alone can explain why no major ruler in Delhi has ever been content with anything less than control over the whole sub-continent. Thanks to the modern means of communication, the British were more successful than their predecessors in this pursuit. But the others had cherished the same ambition. The partition in 1947 could not annul the fact of geographical and cultural unity.

In a sense, western policy-makers, too, have known this to be the case. That is one reason why they have repeatedly tried to get the

Kashmir dispute settled. They have taken the view that if somehow this obstacle can be removed, the two countries can be persuaded to co-operate in the military field in order to checkmate the Soviet Union and China. They made a monumental blunder. In sum, they tried to attach the centre of the sub-continent which is India to the periphery which is Pakistan rather than the other way about. But that is understandable. In view of their anxiety to project Pakistan as a Central Asian and Gulf power, they were unable to accept the obvious fact that if there was to be a South Asian order, New Delhi had to be its centre.

But while this blunder on the part of Washington was understandable in the 'fifties and the 'sixties, it is not in the 'eighties. Despite the blinkers of ideology and wishful thinking that the Americans often wear, it should have been possible for them to recall that beyond providing a base near Peshawar which facilitated U-2 spy flights over the Soviet Union, Pakistan made no contribution to their cause during the period of the first alliance. It only embroiled them in its conflict with India.

More Confused

The U.S. perspective on Pakistan has been even more confused since Soviet troops moved into Afghanistan in December 1979. If, in Washington's view, the Soviet military presence constitutes a threat to Pakistan itself, it cannot legitimately expect Islamabad to be in a position to render worthwhile assistance to the security of conservative regimes in the Gulf. And if the Reagan administration does not expect the Pakistani junta to be of much help to Saudi Arabia, it cannot possibly justify its decision to accede to the Pakistani request for highly sophisticated military hardware.

Indeed, Washington would find it difficult to explain its proposed supplies even in the context of Saudi need for Pakistan assistance and Islamabad's willingness to render such assistance. These can make sense only on the assumption that Pakistan is caught in a pincer of which the Soviet forces in Afghanistan are on arm and India another.

Surely the Reagan administration could not be encouraging King Khaled to befriend India and President Zia-ul-Haq to seek accommodation with it and inviting Mrs. Gandhi to Washington if it was making such an assumption. But what other premises can it be working on? Indeed, has it thought

through the assumptions on which its policy is based?

It looks as if the ghost of Sir Olaf still haunts Washington. If that is so, Mrs. Gandhi and her aides should try and lay it once and for all. They should seek to convince President Reagan and his aides that Pakistan cannot just transcend its sub-continental identity on the strength of Islam and play the role of the gendarme in the Gulf.

Postponement Reported

Bombay THE TIMES OF INDIA in English 29 Apr 82 pp 1, 9

[Article by Subhash Chakravarti]

[Text]

NEW DELHI, April 28

THE Prime Minister, Mrs. Indira Gandhi's much publicised visits this summer to the Soviet Union and the United States are being postponed. Mrs. Gandhi is due to visit the Soviet Union in June and the United States a month later.

The official explanation for postponing the visits only less than a fortnight after their announcement is reported to be because of the presidential election, which is due to take place in the last week of June. The Congress (I) candidate for this August post should be selected a month before the election and no major hurdle in the election is foreseen.

Even if the Presidential election is a major political event, a second thought on the usefulness of the Prime Minister paying the two super powers visits within a narrow distance of a month seems to have occurred. Like the announcement of her visits in Moscow and Washington, the postponement is also being announced simultaneously, a clear enough indication that Mrs. Gandhi prefers to accord equal importance to both the super powers.

While asking for postponement, indications about a possible visit to both Moscow and Washington later this year are known to have been made. It is not yet clear if Mrs. Gandhi would retain her schedule for visiting Denmark, Norway and Finland in early June. The visit to these Nordic countries was announced prior to her decision to visit Moscow and Washington. Later, it was decided that she might combine her Moscow visit with these countries.

It is obvious the postponement of her visits to Moscow and Washington has much more to do with global and bilateral compulsions. While there is no specific problem in the Indo-Soviet relations, a great deal of work to prepare the ground for making Mrs. Gandhi's visit to Washington

meaningful is thought to be necessary.

MAJOR HURDLES

The United States decision to invite President Zia-Ul-Haq of Pakistan prior to Mrs. Gandhi's visit, presumably as an indication of its policy of equating India with Pakistan could be a factor in postponing the visit.

Mrs. Gandhi's prompt response to President Reagan's invitation to her to pay an early visit was perhaps a demonstration for her desire to give a new orientation to the bilateral relations which, during her earlier tenure in office, suffered an all-time low owing largely to President Nixon's policies.

A meeting at the highest level of two governments could be both promising and risky. Any disagreement at such a level could be more frustrating in resolving the issues. The idea seems to be to have some meetings at appropriate level to sort out major hurdles in the bilateral relations in order to reduce the risk of running any embarrassment at the highest level. It is likely that India would like the secretary of state, Mr. Alexander Haig, to pay an early visit here. His visit earlier was postponed following the developments in Europe in the wake of military takeover in Poland.

The Indian decision introduces a new element in the bilateral exchanges between Washington and New Delhi. A state department official commenting on Mrs. Gandhi's visit remarked the issues to be resolved could be done so only at the highest level.

Both Mr. Reagan and Mr. Haig have of late shown interest in discussing unresolved issues like the future of American supply of enriched uranium to the Tarapur atomic power station and Arms assistance to Pakistan.

Besides these issues, India is also keen on getting from the United States some assurances which could be an important element in a broad policy

framework to promote mutual interests.

Mr. Haug was reported to have described Mrs. Gandhi's visit to be an exercise in confidence building. India seems to favour to build confidence prior to her visit to Washington. A visit by the Prime Minister to Washington later than now seems to be in India's reckoning a better bet in the larger bilateral relations. The postponement of the visit to Moscow is not unrelated to this exercise.

G. K. Reddy on Postponement

Madras THE HINDU in English 29 Apr 82 p 1

[Article by G. K. Reddy]

[Text]

NEW DELHI, April 28.

The Prime Minister, Mrs. Indira Gandhi, has postponed her proposed visits to the Soviet Union and the United States in June and July because of the Presidential election which will require her uninterrupted presence in Delhi.

Alternative dates for the two trips will be decided in due course in consultation with Moscow and Washington, which have been informed of the compelling reasons that led to the postponement.

As the Prime Minister herself had announced before she left for Saudi Arabia on April 17 that she would be visiting Moscow and Washington in June and July, the Soviet and U.S. Governments seem to have been taken by surprise by the decision. They are naturally wondering what exactly led to the postponement since the Presidential election is not a new development and she could not have been unaware of it when she agreed to pay these two visits.

Mrs. Gandhi decided to stop over in Moscow on June 11 and 12 for talks with Mr. Brezhnev on her way to Norway, Denmark and Finland. But following the postponement of her Soviet visit, she may not be able to go ahead with her tour of these Nordic countries in June precisely for the same reason.

The three countries have been asked whether she could visit them earlier, perhaps towards the end of May or early June, well before the notification of the Presidential election. It is considered highly unlikely that they will be able to advance the contiguous dates at this short notice, in which case the Nordic part of her tour will also have to be deferred until a more convenient time.

The postponement of her Washington visit will inevitably involve the cancellation of her earlier plan to go to New York at the end of June or in early July to address the U.N. Conference on Disarmament, in fact, the U.S. President Mr. Ronald Reagan, had specifically suggested early July for her visit to Washington, since she was expected to be in New York about that time for the disarmament conference.

Trip likely in September: The Prime Minister intends to pay a longer visit to the Soviet Union lasting five or six days in September or October depending on mutual convenience. But there may be some delay in rescheduling the Washington visit because of the Congressional elections in the U.S. The American Embassy in Delhi is sorting out this matter with the White House, so that some indication could be given of when she is likely to go to Washington along with the announcement of the postponement.

The five-year tenure of Mr. N. Sanjiva Reddi expires on July 24 and his successor will have to be chosen on that day before the expiry of his term of office. The necessary notification for the poll is expected to be issued around June 10 and the Election Commission has to provide for a margin of an extra week, in addition to the normal timetable of 14 days for filing nominations, one day for scrutiny, two days for withdrawal and 15 days for the campaign, for bringing the ballot boxes from different States to Delhi and also meeting the contingency of a delayed or adjourned poll in some places.

The result of the Presidential election, in the event of a contest, is expected to be declared by the middle of July or even a few days later, well in time for the swearing-in of the President-elect on July 24. It is this long-drawn-out process that has come in the way of the Prime Minister's tour programme, which had evidently been fixed without giving due thought to the need for her continued presence in Delhi during this time.

Cong. (I) confident: The Prime Minister has certainly been giving some thought to the Congress (I) choice for the office of President, but she is not likely to make up her mind until a few days before the filing of nominations. The uncertainty, if any, is only about the choice of the candidate and not the outcome of the election, since the Congress (I) has enough strength both in Parliament and the State Assemblies to get the party nominee elected with a safe margin.

After the Assembly poll in West Bengal.

Kerala, Haryana and Himachal Pradesh next month. Mrs. Gandhi will get busy with the Presidential election. She is going to be quite preoccupied during the next two or three months with the formation of new Governments in States where the ruling party emerges with a majority in these Assembly elections, expansion of Cabinets in a number of other Congress (I)-ruled States, installation of the new President and finally the reshuffle of the Central Cabinet before the monsoon session of Parliament.

The choice of the new President has come to acquire considerable importance because his close political relationship with the Prime Minister will be a crucial factor in opting for any Constitutional changes or coping with unexpected developments during the years ahead. It is for this reason that she is not going to take any chances in choosing a person in whom she can have complete confidence.

G. K. Reddy--Left Up to Reagan

Madras THE HINDU in English 3 May 82 p 1

[Article by G. K. Reddy]

[Text]

NEW DELHI, May 2

The Prime Minister, Mrs. Indira Gandhi, has indicated that she will be able to visit Washington at the end of July — immediately after the next President has assumed office — if it is convenient to the U.S. President, Mr. Reagan.

A message to this effect has been conveyed to the White House through the American Embassy in Delhi and a reply is awaited.

In his letter of invitation, the U.S. President himself had suggested that the visit should take place in July on the assumption that Mrs. Gandhi was scheduled to go to New York towards the end of June to address the UN Conference on Disarmament.

Washington puzzled: The arrangements for the visit were being made on the assumption that the Prime Minister would be going to Washington in early July after a couple of days in New York. But her subsequent decision to put off both the Moscow and Washington visits puzzled the Reagan Administration, which wondered why they were being postponed and whether there was any inter-relation between them.

It is to avoid a misunderstanding with the U.S. that she has offered to go to Washington at the end of July, immediately after the installation of the new President in Delhi. The initial reason given for the postponement was that the Prime Minister did not want to be away from the country during the Presidential election, which the U.S. felt was only an after-thought.

As August is generally a holiday month in the West, Mr. Reagan is not expected

to be in Washington at that time. It was found that he may not be able to easily accommodate a visit by Mrs. Gandhi in September or October because of his other engagements, besides the approaching Congressional elections.

Special gesture: It was, therefore, proposed as a special gesture that Mrs. Gandhi would be happy to pay this visit at the end of July within the time-frame suggested by Mr. Reagan in his letter of invitation. The ball is now in the U.S. court in the sense that it will be Mr. Reagan's responsibility to suggest alternative dates that will be equally convenient to her, if the end of July does not suit him for whatever reason.

There is no such complication in the case of the Soviet visit which was due to take place in early June but is now being put off till September. The Soviet leader, Mr. Brezhnev, is very particular that she should pay a longer visit, spending at least five or six days instead of stopping over for just a couple of days in Moscow on her way to some other countries in Europe.

The Government is in touch with Norway, Denmark and Finland to see whether she could visit them together or separately in conjunction with some other trips at a later stage. It will take another week at least to sort out all these details and rearrange her visits to all these places along with some other trips to countries like West Germany, Austria and even Libya which are under consideration.

INDIA

TEXT OF GANDHI MAY DAY MESSAGE TO INDIAN WORKERS

New Delhi PATRIOT in English 1 May 82 p 1

[Text] Prime Minister Indira Gandhi has conveyed her May Day greetings to the workers all over India underlining that workers 'have been in the vanguard of change and will continue to do so'.

Warning against all attempts to exploit them for 'narrow political gains', she greeted them for their 'enlightened support and active cooperation' in national efforts for socio-economic change.

Following is the text of the message (released late on Friday night):

'May Day is the day of labour solidarity and on this occasion I compliment our workers in fields, factories and offices for their enlightened support and active participation in national efforts for rapid socio-economic transformation. From the days of our freedom struggle, they have been the vanguard of change, and will continue to do so in future'.

'As we march towards economic growth with social justice based on the principle of self-reliance, the working class need to be on their guard against all attempts to exploit them for narrow political gains.'

'My May Day greetings and good wishes to workers in every part of India'.

CSO: 4220/7245

GANDHI SPEECHES OPEN MAY ELECTORAL CAMPAIGN

New Delhi PATRIOT in English 5 May 82 pp 1, 7

[Text] SIMLA, MAY 4--PRIME MINISTER INDIRA GANDHI, DURING HER ONE-DAY ELECTION TOUR OF HIMACHAL, URGED THE PEOPLE TO STRENGTHEN THE HANDS OF HER GOVERNMENT AT THE CENTRE BY VOTING CONGRESS-I TO POWER IN THE STATES, SO THAT THE STATE GOVERNMENTS COOPERATED IN MITIGATING THE GRIEVANCES OF THE PEOPLE.

Referring to the 19 May mini-general election, she warned the people against casting their lot with opposition parties which had proved their incompetence to govern, and were now interested "only in destabilising the country".

Addressing over a dozen largely attended meetings at Simla, Bilaspur, Palampur and Una districts, she sharply attacked what she called "non-performance" of the Janata Government during its three years' rule. It had only one-point programme--to "crush Indira Gandhi and the Congress Party", she said.

A large number of people from neighbouring areas had gathered to listen to Mrs Gandhi wherever she spoke.

Cong-I Claims

Mrs Gandhi said her party has all through been keeping the nation united by giving equal rights to all, besides attending to nation's development and attaining economic emancipation for achieving the goal of socialism.

Mrs Gandhi said the country was on the "take-off stage" when her government went out of power in 1977. Three years' of Janata rule had pushed the country backwards and it has taken her same time to bring it back on rails.

Mrs Gandhi told the large gatherings that disturbances and atrocities, which began during the Janata regime with a bang in various parts of the country, are still, persisting and stood in the way of speedier march of nation's development.

On Pakistan

Mrs Gandhi made it clear that India did not want a war with Pakistan, but would give a befitting reply, as in the past, if one was thrust upon it.

She said there was no doubt that the sophisticated weapons which Pakistan had acquired from the US and other countries were meant to be used against India, and non else.

She reiterated her desire to have friendly relations with Pakistan, but asserted that it would not be "at the cost of national interest or honour."

Mrs Gandhi wondered how Pakistan could raise Kashmir question and acquire sophisticated arms and at the same time talk of peace with India.

Much against its will, the Prime Minister pointed out, India had to divert some funds from development to defence purchases on the advice of senior officials so that our armed forces will be in a full state of preparedness".

She said the BJP, which was born out of the erstwhile Jana Sangh, had accused her government of appeasing Pakistan when she signed the "simla Accord" in 1972. But now they were goading it to grab Islamabad's offer of no-war pact even in the face of its feverish arms purchases and violation of the Simla agreement.

She said the BJP's thinking on Pakistan, China and other foreign policy issues seemed to reflect the twists and turns of a foreign power.

Similarly on China, the BJP which had opposed her father for trying to have friendly relations with it, had now changed its attitude after the Beijing visit of former US President Nixon.

In an obvious attack on the CPI-M led Fronts in Kerala and West Bengal, she said their governments were only interested in fomenting hatred against the Centre to cover up their own non-performance.

Mrs Gandhi denied that her party or government had tried to topple non-Cong-I governments.

Mrs Gandhi later returned to New Delhi. She leaves for a two day campaign tour to Kerala on Wednesday.

Kerala Today

Mrs Gandhi will leave by air for Mangalore from where she will motor down to Manjeshwar and Kasargod. From Kasargod, she will travel by helicopter to Cannanore, Sultanbatttery, Chombal, Calicut, Manjeri, Nilambur, Palghat, Trichur and Guruvayoor where she will have a night halt

On Thursday, Mrs Gandhi will tour Ponnani, Pattamby, Chalakudy, Ankamali, Alwaye, Perumbavoor, Kunnathunadu, Muvattupuzha and Puthencruz before reaching Ernakulam where she will spent the night.

On 7 May Mrs Gandhi will leave Cochin for Gharagpur on the first leg of her two-day visit to West Bengal.

Mrs Gandhi is likely to visit Haryana on 9 and 10 May.

PRESIDENT REDDY'S 3 MAY SPEECH IN DUBLIN REPORTED

Madras THE HINDU in English 4 May 82 p 1

[Article by N. Ravi]

[Text]

DUBLIN, May 3.

The President, Mr. N. Sanjiva Reddi, at the start of his four-day visit to Ireland voiced the hope that India and Ireland would be able to work in cooperation to reduce the risks of war and to get global economic negotiations going.

Mr. Sanjiva Reddi, who arrived after a 10-hour flight from New Delhi on Air India's Lhotse, was received at the airport by the Irish President, Dr. Patrick Hillery, and the Prime Minister, Mr. Charles Haughey, at the ceremonial welcome.

Later in a speech for the banquet in his honour by the Irish President, Mr. Sanjiva Reddi expressed concern over the deterioration in the international situation and the setback to detente and disarmament and said unless these trends were reversed, the structure of peaceful coexistence would be in danger of collapse.

New tensions had arisen in the Indian Ocean area and in India's neighbourhood which affected India's security environment. "We have endeavoured to defuse tensions, cause greater international awareness of the dangers of big power confrontation in Asia and to safeguard the interests of peace through non-alignment and the peaceful settlement of disputes".

On the global economic situation, he warned that the inability of the international community to solve some of the outstanding problems could aggravate current tensions. He called for concerted action by the developed and the less developed countries to bridge the disparities and for this global negotiations had to be got going. "I am sure both our countries will cooperate in these important tasks ahead," Mr. Reddi said.

He pointed out that India and Ireland had ancient cultures and both had gone through similar struggles to gain freedom from colonial rule. Dr. Hillery, in his address, referred to the long friendship between the two countries "forged by the events of history" and which had overcome the great geographical distance which separates them.

Though India and Ireland were relatively young, they could be pleased with the progress they had made since independence. "We share a deep respect for the democratic system which we both cherish and we are both committed to an unrelenting search for peaceful solutions to the problems which face the world," Dr. Hillery said.

During his visit, Mr. Sanjiva Reddi will be conferred an honorary doctorate by the National University of Ireland. Mr. Reddi is the second Indian President to visit Ireland. Dr. S. Radhakrishnan paid a visit in 1964. Nehru, who deeply appreciated Irish support for the cause of Indian independence and the prompt aid during the Bengal famine, visited the country twice, in 1949 and 1956. The Irish President visited India in 1978.

Mr. Sanjiva Reddi's visit symbolises the Government of India's move to forge closer ties with Ireland at a time when Dublin is moving towards a more active role in international affairs both as a member of the U.N. Security Council and in the European Economic Community.

In New Delhi's thinking, Ireland could be a factor in the emerging European opinion on issues such as disarmament as distinct from the American position. Ireland has kept out of military alliances and that is an additional attraction for India's strategy of improving relations with the medium and small powers who tend towards independent policies.

ROK SEEKS INDIAN COOPERATION IN IRON ORE MINING

New Delhi PATRIOT in English 29 Apr 82 p 3

[Text]

SEOUL, April 28 (PTD — South Korea, India's third largest importer of metallic ores, has shown interest in a joint venture to mine that country's vast resources of iron ore.

Starved of mineral resources, South Korea, which lately entered into joint venture agreements with Australia, the US and Canada, has sought the assistance of the Seoul branch of the Indian Overseas Bank (IOB) for long term import of jointly mined ore from India.

Seoul's IOB branch manager P V Rao, said "we can finance Korean partners activities in India in the form of providing assistance for machinery and also import finance".

The Government of India's approval is necessary for a joint venture. South Korea, which imported 40 million dollars worth of iron ore from India last year, is inclined to boosting its purchase. A private sector Korean company has sent queries to

the Seoul branch with an apparent offer of equity capital and mining machinery.

IOB, with 65 million dollar business here last year—South Korea now accounts for 60 per cent of the bank's overseas business—helped export oriented Korean companies to establish two joint ventures one in Sri Lanka and another in India, according to Mr Rao.

The branch has completed five years of its opening here. Ninetyfive per cent of IOB advances went to the manufacturing sector here, with core sector getting over 30 per cent.

IOB opened its branch here in 1977 when the South Korean economy was booming. The IOB has had to diversify its activities to offset the effects of the downturn in the economy.

IOB, which started its operation on a limited scale, intends to enter the most sophisticated Eurodollar market.

CSO: 4220/7238

POLISH ENVOY LAUDS INDIAN REACTION TO DEVELOPMENTS

New Delhi PATRIOT in English 5 May 82 p 1

[Text] Polish Ambassador to India Ryszard Fijalkowski said in the Capital on Tuesday that his country highly appreciated the developing countries' well-balanced reactions to the internal developments in Poland and welcomed with gratitude the Government of India's stand in this respect.

He told newsmen that both Polish Premier General W Jaruzelski (in his letter to Mrs Gandhi in January) and Prime Minister Indira Gandhi (in her reply at the end of March) had expressed their mutual desire to further expand Indo-Polish co-operation in different fields.

Taking into account the contracts already concluded and offers being negotiated, he said Indo-Polish trade turnover this year should reach Rs 220 crores (considerably more than last year.) He informed that Poland was keen to import not only traditional items like tea, cotton, jute and mica but also numerous consumer goods like leather and cotton garments, carpets and various engineering goods.

On the other side Polish export offer covers power plants, ship, ship engines, coal mining equipments and coking coal. These are spheres which have almost not been affected by our economic difficulties and we can be relied upon as a viable economic partner" he added.

CSO: 4220/7257

PALESTINIAN SOLIDARITY MEETING HELD IN DELHI

Gandhi Message Reported

New Delhi PATRIOT in English 28 Apr 82 p 10

[Text]

PRIME Minister Indira Gandhi on Tuesday observed that non-alignment provided a good framework for the resolution of a number of problems that beset West Asia currently.

In a message read out at a public meeting organised by the All India Quami Ekta Committee in the Capital to express solidarity with the Palestinian people, she pointed out that it was a good sign that most countries in the region were non-aligned.

West Asia has long been a region of tension and with foreign powers taking advantage of the differences, the situation there was not improving, Mrs Gandhi noted. Israel continued to threaten and strike, she added.

India, she said, has steadfastly supported the Arab cause. Sympathy for the Palestinian Arabs has been a part of our foreign policy from its very inception. Even in the thirties, when we ourselves were struggling for freedom, Mahatma Gandhi and Jawaharlal Nehru spoke out against injustices to which Arabs and Palestinians were being subjected to, she said.

Describing the meeting organised by the Quami Ekta Committee to discuss the West Asian situation as timely, the Prime Minister said it would provide an

opportunity to reiterate India's historical interest in this region as well as our consistent and principled support to the just cause for the Palestinian people in their struggle for the establishment of a homeland.

Union External Affairs Minister P V Narasimha Rao who was to deliver the keynote address could not attend due to preoccupation. In a message he decried the attack on the Al Aqsa mosque in Jerusalem and Israeli excesses in the occupied West Bank.

The External Affairs Minister joined Home Minister Zail Singh, Railway Minister P C Sethi and Irrigation Minister Kedar Pande in saying that Israel's continuing recourse to blatant aggression deserved the most categorical censure and condemnation.

Palestine ambassador Foycel Aouidah and Tunisia ambassador Abdul Raif Onlus also spoke.

Later a resolution expressing its full solidarity with the struggling Arab people 'who are bravely standing up to face imperialist machinations' was adopted at the public meeting.

Bombay THE TIMES OF INDIA in English 29 Apr 82 p 13

[Text]

NEW DELHI, April 28.

MR. Yasser Arafat, chairman of the Palestinian Liberation Organisation, is coming to India shortly on an invitation from the Prime Minister, Mrs. Indira Gandhi.

According to the external affairs minister, Mr. P. V. Narasimha Rao, Mr. Arafat's visit will further contribute to significant co-operation between India and the Palestinian people.

Reference to Mr. Arafat's visit was contained in the keynote address of Mr. Rao read out in his absence at a public meeting organised by the Quami Ekta committee here yesterday to express solidarity with the Palestinian people. (Mr. Rao was held up in a cabinet meeting). He condemned the Israeli attack on the Al Aqsa mosque in Jerusalem and Israeli excesses in the "occupied east bank".

Three other Union ministers, Mr. Zail Singh, Mr. P. C. Sethi and Mr. Kedar Pande, addressed the meeting, where a number of Arab diplomats, including ambassadors of the PLO and Tunisia, were present.

The meeting adopted a resolution expressing solidarity with the struggling Arab people "who are bravely standing up to face imperialist machinations". It expressed grave concern at the "strategic alliance formed between the U.S. and Israeli, and condemned the repeated use of veto power by the U.S. to thwart the work of the U.N. security council. This had rendered impossible the implementation of the U.N. resolutions on "Israel's illegal annexation of the Golan Heights" and the Palestinian issue.

Calling for enforcement of sanctions against Israel in keeping with the U.N. charter and stoppage of all aid to Israel by member-countries of the U.N., the resolution deplored the stationing of the multinational forces and observers in Sinai with the purpose of "imposing the so-called Camp David agreement."

It expressed support for the non-aligned nations co-ordinating bureau's call to the U.N. secretary-general to immediately convene a special session of the general assembly on the West

Asian issues.

The Union ministers warned the member-countries that the ever-growing escalation of conflict in the sensitive and strategic area appeared now to have reached the dimensions that could engulf the entire region.

They underlined that even in West Asia have almost ceased to be just events; they now appeared to be links in the increasing chain of instability. The region has witnessed innumerable conflicts. In spite of all efforts, there is no settlement in sight, they regretted.

Affirming that India's support to the Arab cause was firm and complete, Mr. Rao underlined the need for the world community to realise that the Palestinian people were essential partners in the search for a comprehensive solution of the West Asia problem. Finding a durable solution to the Palestinian issue was a matter of utmost urgency. The solution had to be within the framework of basic principles of the U.N. charter and international law.

Mr. Foycel Accudah, the PLO ambassador, said: "Our struggle for liberation is just, not because we call it so, but because it really is just. We were weak when the aggression was committed on us. We are strong now and, therefore, we are fighting."

Narrating the "atrocities perpetrated on the Palestinians", he gave the example of a three-year-old child being put behind bars and asked "which law can accept it?" With the support of India and other friendly countries, the Palestinians had received encouragement and would continue their struggle which was "aimed at establishing peace and equality for all".

Mr. Abdul Rauf Oinus, the Tunisian ambassador, said the non-aligned nations have a vital role to play in bringing about an early settlement of the Arab-Israeli dispute.

In his presidential address, Mr. Asrar-ul-Haque, M.P., said Indians were prepared to share the difficulties of the Palestinians, as—"we know that the same forces which broke Palestine are out to destroy our hard-earned independence".

CSO: 4220/7236

URS LEAVES CONGRESS-S TO FORM REGIONAL PARTY

Bombay THE TIMES OF INDIA in English 30 Apr 82 p 1

[Text] BANGALORE, April 29. Mr. D. Devaraj Urs, president of the Karnataka unit of the Congress (S) and former chief minister, today entered a new phase in his chequered political career by announcing the dissolution of the state unit of the party and the formation of a new regional party.

"As a political party, the Congress (S) has lost its moorings as well as direction," Mr. Urs said in severing his link with the party which he headed at the all-India level for some time after breaking away from Mrs. Gandhi in 1979.

Following Mr. Urs's lead in walking out of the Congress (S) were some 12 legislators and "important functionaries" of the state unit. "You can take it that the entire executive committee is with me," he said, although reports were circulated that some executive committee members had differed from him.

In a telegram to Mr. Sharad Pawar, Congress (S) president, Mr. Urs and his followers said that they had no option but to form a regional party and bring about a merger of like-minded parties to "fight for the oppressed, downtrodden and backward classes and minorities."

As Mr. Urs quit the Congress (S), history for him appeared to be repeating itself. There was a parallel between his departure from the Congress (I) three years ago, the formation of a regional party headed by him called the "Karnataka Congress", as well as its merger with an all-India party, the Congress (S), later, and the current situation in which he is out of the Congress (S) and heading towards the formation of a regional party with the possibility of its merger with the Lok Dal.

In the present context, Mr. Urs sees eye-to-eye with Mr. Charan Singh, Lok Dal leader, more than with any other all-India figure. What chances of success there are in a link-up between Mr. Urs and Mr. Charan Singh may be a matter of guess, although the Karnataka chief minister, Mr. R. Gundu Rao, thinks that Mr. Urs is a "paper leader" and a "big zero."

The new regional party to be started by Mr. Urs may be called the "Karnataka Socialist Party," according to Mr. J. H. Patel, a former Lohia Socialist and Janata leader, who is now among his close allies. A convention of Mr. Urs's followers is being called here around May 10 to decide the name of the regional party and its plank.

FOREIGN MINISTER SPEAKS IN RAJYA SABHA ON ZIA REMARKS

New Delhi PATRIOT in English 1 May 82 p 6

[Text] India is determined to safeguard its security interests in view of Pakistan's attempts to acquire nuclear weapons manufacturing capability, External Affairs Minister P V Narasimha Rao told the Rajya Sabha on Friday, report agencies.

He, however, reiterated that India would use nuclear energy only for peaceful purposes.

Mr Narasimha Rao said India was following the Pakistani nuclear developments on a continuing basis.

In reply to another question. Mr Rao said India had told Pakistan that it had taken 'serious objection' to President Zia-ul-Haq's remarks in an interview to an Indian journalist that Gilgit, Huza and Skardu in Pakistan-occupied Kashmir were parts of Pakistan.

The Minister said Gen Zia was also reported to have stated that Pakistan was prepared for talks with India on all issues except Kashmir which was an 'international problem and that the Simla agreement did not bar references to this issue in international forums'.

He said "Our well-known position that juridically and constitutionally, these territories are parts of the Jammu and Kashmir State, was reiterated to the Pakistan Charge d'Affaires in New Delhi".

Mr Rao said only after a reply in the form of clarification was received from Pakistan, could the Government know what they had in mind. "We, on our part, are committed to having friendly and harmonious relations with Pakistan in several spheres", he added.

Mr Rao told Mr Robin Kakati and Mr Sadashiv Bagaitkar that the Indian embassy had protested against the reported harsh conditions of detention of 10 Indian nationals, including a woman, in a Pakistani jail and urged immediate arrangements for their repatriation to India.

He said the Pakistan Foreign Office had said the matter had been referred to the concerned authorities. India, Mr Rao added, was awaiting the Pakistan Government's reply.

Clarification Sought

India had asked Pakistan for a clarification of Gen Zia's press interview in which he is reported to have stressed the need for resumption of dialogue with India on a no-war pact, rather than on a joint commission, said Mr Rao.

He said that, in a message delivered to him on 26 April by the Pakistan ambassador in New Delhi, his Pakistani counterpart, Shahabzada Yaqub Khan has reiterated Pakistan's commitment to pursue both the proposals as envisaged in the joint press statement on 1 February.

CSO: 4220/7245

YADAV REELECTED RAJYA SABHA DEPUTY CHAIRMAN

Bombay THE TIMES OF INDIA in English 29 Apr 82 p 14

[Text]

NEW DELHI, April 28 (PTI)

MR. Shyamlal Yadav of the ruling Congress (I) was today re-elected deputy chairman of the rajya sabha for a term of six years.

In a direct contest, Mr. Yadav, who was recently elected to the Rajya Sabha from Uttar Pradesh for a third consecutive term, defeated the joint opposition nominee, Mr. Dinesh Goswami (Ind.) by a voice vote.

The 54-year-old Mr. Yadav, who comes from Banaras, was supported besides the Congress (I) by the National Conference, the AIADMK and the DMK.

The opposition parties who supported Mr. Goswami's candidature included the Janata, the CPM, the BJP, the Lok Dal, the CPI, the RSP, the Forward Bloc and Akali Dal.

In all 16 motions were moved, of which seven sponsored Mr. Yadav's name and the remaining proposed the name of Mr. Goswami.

Those who moved the motions in favour of Mr. Yadav included the minister of parliamentary affairs, Mr. Bhishma Narayan Singh. His motion was seconded by his deputy, Mr. Kalpnath Rai.

Mr. Piloo Mody, leader of the Ja-

nata Party, moved a motion sponsoring Mr. Goswami's name which was seconded by Mr. L. K. Advani (BJP).

The chairman, Mr. M. Hidayatullah, who conducted the election immediately after the question hour, put to vote only the motion moved by Mr. Bhishma Narayan Singh and declared Mr. Yadav elected by voice vote.

The announcement was greeted with thumping of desks by the members belonging to the ruling party and its allies in the election.

Mr. Yadav then left his seat in the majority side and occupied the place earmarked for the deputy chairman, adjacent to the seat of the leader of the opposition. It is occupied by Mr. Mody though he is not the recognised leader of the opposition.

All the opposition leaders spoke highly of Mr. Yadav as a parliamentarian and assured him full co-operation in the conduct of the business of the house. They hoped that Mr. Yadav would help the opposition in putting forward its viewpoint.

Several opposition members, notably Mr. Khohragade, Mr. Chakraborty and Mrs. Rajinder Kaur hoped that Mr. Yadav would take more care of smaller groups and provide them greater opportunities to express their view.

CSO: 4220/7236

'TIMES' ASSESSES SPEECH BY U.S. ENVOY IN PAKISTAN

Bombay THE TIMES OF INDIA in English 30 Apr 82 p 8

[Editorial]

[Text] The U.S. ambassador in Islamabad, Mr. Ronald Spiers, has made a speech on Pakistan-U.S. relations which is truly remarkable for its candour. At the very start of his address to the Karachi institute of foreign relations on April 20, Mr. Spiers spoke of "a number of mutual disappointments" in the past and of "different and occasionally divergent perspectives between the two countries." And while listing the two areas of common interests--the economic development and security of Pakistan--he was at pains to underscore certain points. The U.S. military aid was meant for use only in self-defence against possible pressures emanating from Afghanistan as a result of the Soviet military presence there. Despite its political differences with India, Washington did not consider New Delhi as "anyone's proxy." Not content with this formulation, he said: "Most of our past problems, I think, have stemmed from a different view about the purpose and open-endedness of the security ties that have existed between us since the early 1950's. A principal Pakistani concern has been India; the principal concern for the U.S. and other CENTO members were the potential threats and pressures from the Soviet Union." He was at pains to emphasise that this remained America's perspective and that, in its view, India did not intend to attack Pakistan.

The ambassador then spelt out what he called vulnerabilities in the U.S.-Pakistan relationship. This is by far the most important part of the address which deserves attention in this country. He listed four such "vulnerabilities" directly and one not so directly. First, "the concern in the U.S. that a positive relationship with Pakistan will be misunderstood as anti-Indian". The Soviet "occupation" of Afghanistan had "lessened this factor as a barrier to cooperation." But "if India and Pakistan succeeded in the efforts to compose their differences there will be less domestic criticism of our policies of supporting Pakistan in the military area". Secondly, "it is no secret that the United States feels more comfortable and has the greatest political affinity with other democracies. The fact that Pakistan has a martial law government has been a source of continuing reservation among important sectors of opinion in the United States. To the extent ways and means are found to move to a more representative system of government in Pakistan, this potential pitfall in our relationship will be diminished...For many Americans one of the basic human rights is the right to participate in the political process."

Mr. Spiers listed narcotics as the third source of possible discord between the U.S. and Pakistan, noting that "about 70 per cent of the heroin on American streets is now coming from South-West Asia, much of it through Pakistan", and the nuclear issue as "the final shadow on the horizons of the U.S.-Pakistan relations." He also explained at great length America's West Asia policy apparently because he had found that "the U.S. position is widely misrepresented in this country". While he did not categorically say that West Asia, too, could be a source of misunderstanding between Washington and Islamabad, his formulation suggested that he visualised such a possibility. The ambassador also used the occasion to deny General Zia-ul-Haq's statement (of course without naming him) that the U.S. had sought base facilities in Pakistan.

CSO: 4220/7239

PEOPLE'S LIBERATION ARMY APPOINTS NEW LEADER

New Delhi PATRIOT in English 28 Apr 82 p 4

[Text] CALCUTTA, April 27 (UNI)--The outlaid People's Liberation Army (PLA) in Manipur, after having suffered a series of setbacks recently, has appointed Manikanta Singh as its new leader in an apparent attempt to rebuilding the organisation, according to informed sources.

Thirty-year-old Manikanta Singh would fill the position which is vacant due to killing of Kunja Behari Singh in an encounter with the security forces at Kadampopki on 13 April. Manikanta Singh was trained locally by Bisheshwar Singh who along with another Meitei extremist, was captured in July last.

With the capture of the top leaders, the disarrayed PLA was reportedly making a "boost-strap effort" to whip up fresh hostility under new leader Manikanta Singh, the sources said.

It was assumed that Manikanta Singh would have to operate against some "basic odds". In the first place, Jadumani Singh, another hard-core insurgent, who had made a strong bid for the PLA leadership, was most unlikely to extend fullest co-operation to Manikanta Singh. Besides, since no direct personal contact was available to him, procurement of weapons and funds from across the border might pose a serious threat to the Government.

With the capture of large number of weapons, ammunition and other equipment by the security forces, PLA resources are fast depleting.

Meanwhile, due to the departure of Laldenga from India, about 100 outlawed MNF insurgents, who had been maintaining a low profile, might now surrender. The number of MNF insurgents, either captured or surrendered, was likely to swell to 600 in the near future from 470.

CSO: 4220/7234

PEOPLE'S FRONT FORMED TO UNITE MASS ORGANIZATIONS

Calcutta THE STATESMAN in English 30 Apr 82 p 9

[Text] April 29--The Indian Peoples Front has been formed after a three-day convention in New Delhi from April 24 to 26. It marks an attempt at uniting over 290 mass organizations carrying on peoples struggles at various levels in different fields all over the country. A national council of 101 members has been elected and the main effort of the Front will be to coordinate the various non-parliamentary mass movements in a bid to prevent a re-imposition of the emergency and offer a true national political alternative to the people.

Talking to reporters in New Delhi on Thursday, Mr Raja Ram, general secretary of the Indian Peoples Front, said that for a long time a need was felt to unite and bring under one banner the various organizations working in mass democratic movements. The idea took shape after a seminar in January and a preparatory committee was formed. After a national conference in New Delhi from April 24 to 26, in which 680 delegates participated, the Front was formally formed.

He said that the main emphasis would be to concentrate on the various forms of peasant struggles in rural India and one of the demands is that landless peasants should be given at least one acre of land. The Front hopes to be able to take a militant and democratic stand in support of peoples struggles everywhere. In special resolutions during the conference it has demanded the scrapping of arbitrary and undemocratic laws and the special armed forces act.

Among its main political platforms would be ensuring the right of self-determination to oppressed castes and nationalities, ensuring workers' right to organize, organizing confiscation of lands belonging to big landlords and all capital assets of foreigners and the top 20 monopoly houses. It is in favour of scrapping the Indo-Soviet treaty and the IMF loan.

CSO: 4220/7240

CENTER BANS DAL KHALSA, KHALISTAN COUNCIL

Madras THE HINDU in English 2 May 82 p 1

[Article by G. K. Reddy]

[Text] NEW DELHI, May 1. The Central Government, acting on the recommendation of the Punjab Government, has banned Dal Khalsa and the National Council of Khalistan under the Unlawful Activities Prevention Act, 1967.

The two militant Sikh organisations have been charged with endangering the security and integrity of India by indulging in secessionist activities, fomenting communal hatred and indulging in violence.

The necessary notifications, under the Act, were issued after the Political Affairs committee of the Cabinet decided this afternoon to ban the two organisations. The Central and State security agencies immediately swung into action to round up the Dal Khalsa and Khalistan activists. In anticipation of the ban, many of them have either gone underground or taken refuge in Gurdwaras and other religious places. A police hunt is on in Punjab to round up as many of them as possible.

The Centre's action against the two extremist organisations, follows the tension generated by the latest acts of sacrilege aimed at stirring up communal passions. But in imposing a ban on the two organisations, the Government has been satisfied that the great majority of Sikhs are totally opposed to their secessionist advocacy and incitement to violence.

Akalis' gesture: The moderates among the Akalis have from the very beginning dissociated themselves from the activities of Dal Khalsa and the protagonists of the Khalistan movement. As a token of their moderation, they have called off their current agitation against the construction of the Sutlej-Yamuna link canal following the Amritsar outrage.

Demands Mixed Up

The sad part of it all is that, in the prevailing atmosphere of bitterness and recrimination, the legitimate demands of the Sikhs for a better deal voiced by the moderate Akalis get mixed up with the totally unreasonable dictates of the Dal Khalsa extremists, in the absence of an assertive public opinion in the

State. The factional politics of the Akalis is matched only by the near paralysis of the ruling Congress (I) torn asunder by its own chronic dissensions.

F.M. intervenes: Though the Congress (I) is in power both at the Centre and in the State, there has unfortunately been no close cooperation between the Union Home Minister, Mr. Zail Singh, and the Punjab Chief Minister, Mr. Darbara Singh, in dealing with the origins and consequences of the crisis in this sensitive border State. The Prime Minister, Mrs. Indira Gandhi, has been compelled to step in and take direct command of the situation following the latest turn of events.

The decision to ban the Dal Khalsa and the Khalistan movement and crackdown on the extremists who are responsible for the latest tension has had the necessary psychological impact, in the sense that all those Sikh groups which have been sitting on the fence are now coming forward to openly denounce separatism. The Central Government is counting on the Sikh community to assert itself and isolate these extremist elements bent on harming its own cause.

The Punjab situation is now being handled under the direct supervision of the Prime Minister by a group of senior Central officials functioning in close concert with the State Government. The group includes the Prime Minister's Principal Secretary, the Cabinet Secretary, the Home Secretary, Director of Intelligence Bureau and heads of various Police organisations.

PLO-Like Organisation

Dal Khalsa, which has now been banned, is a PLO-like organisation advocating a "separate homeland for the Sikhs" like the Khalistan movement.

It has no elaborate organisational network but its activities are conducted by a five-member "presidium".

According to its leaders "there was a small group of activists effective in setting into motion new thought currents and in influencing the minds of the Sikh masses.

The Dal Khalsa shot into limelight when it claimed responsibility for the hijacking of an Indian Airlines plane to Pakistan last year.

Dal Khalsa was formed on August 6 1978, at Chandigarh with the avowed purpose of combating what its founders called "the onslaught by Nirankaris on Sikhism.

A committee was set up with Jaswant Singh Thekedar of Gurudaspur, Harsimran Singh, Gajinder Singh and Satnam Singh of Chandigarh and Harbhagat Singh Naronwal of Ludhiana as members. They were vested with absolute power to run the organisation.

It came into prominence in 1980, when at a Sikh convention at Anandpur Sahib, Dal Khalsa members unfurled the "Khalistan flag" and issued a map which they claimed defined the territorial boundaries of the Sikh State.

PTI reports:

Panel to enforce ban on cigarette sale: The Punjab Government is setting up a committee to take steps to ban sale of cigarettes, liquor and meat around the Golden Temple area in Amritsar.

The formation of the Committee is a sequel to the assurances given by the Prime Minister to Akali Dal leaders during their recent talks with her.

Tension mounted at the Anandpur Sahib this afternoon following recovery of a packet of cigarettes and a bundle of bidis in the historic Kesgarh Sahib Gurdwara complex. The Kesgarh Sahib Gurdwara is among the five supreme seats of the Sikh religion. The shops in the town downed shutters as a protest against the sacrilege.

The Deputy Commissioner, Dr. Brajinder Singh, the Senior Superintendent of Police Mr. Baljit Singh along with a police force rushed from Ropar to the spot, 80 km. from Chandigarh.

CSO: 4220/7247

ANALYST SCORES FUNCTIONING OF PARTY POLITICS

Madras THE HINDU in English 2 May 82 p 2

[Article by G. K. Reddy]

[Text] The nation is passing through one of those uneasy phases in its chequered history, when it is equally possible to be optimistic or pessimistic about its future. It is not uncommon for a nation shedding the coils of its immobilism to look back with pride at its achievements to count the blessings of its freedom, but it is not difficult to harp at the same time on the missed opportunities to draw attention to the heavy backlog of unaccomplished tasks with all the hang-overs of the past

It is the strange interaction of this dynamism and stagnation that gives the Indian people a split personality making them quite resentful of even legitimate criticism at times, while they themselves revel in self-denigration. It is this peculiar psychosis that makes them suspect some sinister conspiracy behind their own incapacity to comprehend the full dimensions of the many challenges facing them. It is this extraordinary combination of myth and reality that tends to deepen the ferment, corrode the faith and depress the people profoundly, producing a crisis of confidence that makes the people much more conscious of what divides than unites them as a nation.

Odd Phenomenon

As Prime Minister, Mrs. Indira Gandhi has to contend all the time with this odd phenomenon conditioning the reflexes and influencing the attitudes of her people. She can rekindle the old confidence, and in the process dispel the new gloom, only by concentrating on issues of enduring value in national life. The head of a government in a complex country like India cannot afford to let the impression prevail of frequent resort to double standard in dealing with individuals or issues.

It is bad enough to put up with inefficiency and ignorance, but worse still to condone corruption and manipulation on narrow political or personal considerations. The country can rediscover itself only with some shock treatment followed by a revival of the Gandhian spirit to restore the missing moral values.

The rest of this century is going to be an agonising period for India caught up inextricably in perpetual turmoil with a multiplicity of problems. There is no single aspect of its national life that can be pinpointed as the root cause of this dissonance, since the Indian malaise is a product of many complicated factors impinging on one another to produce the kind of precipitous decline in the quality of public life.

The present unrest in the country is largely attributable to the big population explosion of the last three and a half decades that has doubled the total figure in what is now India from 350 millions to nearly 700 millions. Despite progress in different spheres, there are many more unemployed and under-employed in India today than at any time before partition.

Distressing Reality

It is no doubt possible to paint a rosy picture by concentrating on the rapid strides made in many spheres since Independence, especially in the fields of heavy industry, atomic and space research, defence capability, food production, power generation, railway expansion, rural welfare, public health and education. The attempt to balance this success story with a countervailing reference to the unaccomplished tasks brings even impartial observers face to face with the distressing reality of a nation in travail plagued by a loss of respect for authority, vulgarisation of party politics, mounting corruption, administrative incompetence, rising crime wave, industrial unrest, student violence, communal tensions, railway accidents and so on.

Where then does one draw the dividing line to present a balanced picture that is not unduly optimistic or overly pessimistic about the country's future? One of the favourite themes of the critics has been that the disparities between the rich and the poor have been allowed to widen considerably, despite all the tall talk of egalitarianism, as though this is the price that the people inevitably must pay for development. The result is that the privileged few have never had it so good and the rich continue to thrive by corrupting further a permissive political system that has already passed the point of redemption.

Ostentation

The new emphasis on greater pragmatism certainly has helped the nation to shed some of the coils of the old doctrinaire approach to development, but in the present free-wheeling atmosphere it has also thrown the floodgates open to allegations of indiscriminate dispensation of patronage. One rarely hears the word socialism used these days in the ruling party's rhetoric and even in the orchestration of the new 20-point plan, there is a refreshing accent on what is possible than what is desirable.

The process of liberalisation has been kept down deliberately to a low key with the necessary undertones to avoid the impression of any abrupt lurch to the right. The decisions have been dished out in bits and pieces rather than in a package to deny the leftist critics a chance to raise the outcry of an uncere-
monious abandonment of socialistic slogans.

But the fact remains that no conscious effort is being made to remove the social distortions that have crept into the Indian dispensation. The system remains heavily weighted in favour of the monied classes and other vested interests which have the means and opportunities to make common cause with the ruling elite that has given up all the earlier professions of Gandhian simplicity and taken to ostentatious life styles.

Vagaries of Mass Politics

The new five-star culture has coarsened the values and made those in authority increasingly vulnerable to it. One of the problems facing the Prime Minister today is how to enforce some degree of discipline to insulate the rank and file of the ruling party from such evil influences.

It is arguable that if a people in theory get the government they deserve they are not entitled to a ruling elite that is any better than what the electorate opted for in an election. In the final analysis the quality of those in authority is reflected by the competence of the voters who put them in power in the first place

The way the Indian people dismissed Mrs. Gandhi's party in 1977 and administered a similar harsh treatment to the Janata three years later, has been applauded as a striking demonstration of the strength and resilience of Indian democracy in action. It turned out, ironically enough, to be one of the great weaknesses of a political dispensation based on the vagaries of mass politics in which the superiority of informed opinion has no place.

As a striking demonstration of populism, it only highlighted the inherent weaknesses of a people who are prone to such abrupt changes in attitude, without bothering to satisfy themselves whether the new parties or persons whom they are voting for are indeed a better set of individuals capable of living up to their expectations. This is not place for elitism in a parliamentary democracy, but only a pointed reference to the pitfalls of being taken for a ride by a false elite with spurious promises. It is the moral confusion at the political level that is leading to social frustration and generating fears of violence.

Contradictions

All the painful dilemmas and dichotomous contradictions come to the fore in times of elections, when almost every party with the possible exception of the communists goes through a distressing demonstration of its disunity or lack of cohesion. The way the ruling Congress (I) recently went about applying double standard quite brazenly in selecting candidates, denying ticket and reversing earlier decisions, exposed the inherent weaknesses of political parties fragmenting themselves through frequent splits, thriving on defections and entering into unholy alliances without inhibitions.

If the Congress (I) cut a sorry figure, the opposition parties fared no better except that their leverage was not strong enough to compete with the ruling party in this rat race. It is astonishing that Ministers who have fallen from grace for whatever reason and denied ticket for re-election to the Rajya Sabha have been allowed all these weeks to continue in the Union Cabinet, while those

who were refused nominations in Haryana have been compelled to quit immediately although they would have gone in the normal course in the next three weeks after the completion of the elections.

Successful Leadership

The cynical styles of functioning that have crept into party politics have also influenced the outlook of those in power who see no harm in erasing the distinction between the ruling party and the government. It is not unusual for a skillful politician to project or interpret one's own political interest in terms of public interest. The danger is that it begins to degenerate into a free for all in a permissive atmosphere with almost everybody who is somebody trying to imitate the leader or indulge in improprieties without any fear of retribution.

The art of successful leadership in a developing society beset with baffling problems, therefore, lies in an unfailing capacity to assess, absorb and harness the forces of change represented by the rising expectations of the people. It has to be backed by a proven ability to serve along with a capability to comprehend the full complexities of governance.

It is only with a combination of these two skills that an imaginative leader can lead a nation without over-reaching oneself in the heat of controversy or relying entirely on the backing of ruling parties or coalitions that are no more than just loose agglomerations of individuals who are unsure of themselves. And in moments of crisis it becomes doubly incumbent on the leader to carry with oneself not only one's party but also the people.

CSO: 4220/7247

CONGRESS-I ELECTION MANIFESTO SUMMARIZED

New Delhi PATRIOT in English 3 May 82 pp 1, 7

[Text] In its election manifesto, the Congress-I has promised to save the nation from communal, sectarian, casteist strifes, and consolidate the improvement in national life since Mrs Gandhi's return to power.

The manifesto released by AICC-I general-secretary Vanant Dada Patil said the fragmented opposition groups had no coherent vision nor a credible programme to give the nation an alternative. The opposition's was 'a policy of strife and assassination' the Cong-I charged.

The manifesto also hit out at the Left government in Bengal and the former Left Front government of Kerala for precipitating a crisis in Centre-State relations 'to hide their own inefficiencies, failures and unsound policies'. The Centre had never discriminated against the States, it claimed.

'The opposition offered only discredited economic ideas which will cripple agriculture; set caste against caste, religion against religion, States against Centre, policies of strife and assassination' the manifesto charged. "They are incapable of understanding the problems of the world, or producing a leadership which is equal to the challenges", it added.

Other general-secretaries, Mrs Bajendra Kumari Bajpai, Mr G K Mooppanar and Mr Chandulal Chandrakar and Mr Sita Ram Kesari, treasurer, also spoke on various aspects of the manifesto.

The manifesto said communal passions continued to be fanned by the obscurantist organisations such as RSS and Jamat-e-Islami. 'Extremist of all kinds are active in propagating separatism and other such harmful agitations and movements', it added.

Stressing the need for removing the many ills that had crept into the public life, the manifesto said. 'The Cong-I is committed to fighting all forms of corruption, opportunism and inefficiency'.

The manifesto claimed that negative industrial growth rate of January 1980 was converted into plus four per cent in 1980-81 and between April 1981 and January 1982, it had reached nine per cent. The inflation rate too had come down.

The manifesto said the procurement prices for all grains had been substantially increased since the return of the Cong-I to power, while the performance of the public sector had also shown great improvement, with Rs 413 crores of profit during 1981-82. Industrial peace had also improved.

In a brief reference to the national security, the manifesto said the dangers have increased with the induction of sophisticated weaponry into 'our neighbourhood and the increasing military presence in the Indian Ocean region'.

Listing its achievements in the international arena, the manifesto spoke of the Prime Minister's forthcoming visits to the Soviet Union and the US but did not say when she would go there.

CSO: 4220/7252

G. K. REDDY WRITES ON CAMPAIGN FOR MAY POLLS

Madras THE HINDU in English 4 May 82 p 9

[Text]

NEW DELHI, May 3.

A rather unusual feature of the impending Assembly elections is that the campaign has not so far gathered much momentum in any of the four States going to the polls, although less than a fortnight is now left for it.

According to reports reaching Delhi, it is only in Kerala where the people are somewhat excited about the outcome, but it cannot be said that even in this highly volatile State the two rival fronts are locked in a bitter electoral battle.

In West Bengal, too, the sense of high drama that is normally associated with an election campaign, especially when the ruling marxists are pitted in an all-out fight against the Congress (I) that is in power at the Centre, is conspicuously absent this time. The CPI (M) has been adopting a relatively low profile without itching for a confrontation with the Centre in refreshing contrast with its past postures on such occasions.

The Prime Minister, Mrs. Indira Gandhi, is beginning the first round of her campaign tour tomorrow with a visit to Himachal Pradesh, where the Congress (I) has to contend with the activities of its own dissidents, while facing the main challenge from the BJP-Lok Dal combination. She will be touring Kerala on May 5 and 6, and West Bengal on May 7 and 8.

The visit to Haryana has been delayed because of the disturbed conditions in adjoining Punjab, but she hopes to go there next week before embarking on the second and final phase of her campaign. The Congress (I) and its electoral allies in Kerala and West Bengal are very keen that she should pay a visit to their States again before the polling date.

It is not customary for the Prime Minister to campaign personally in by-elections even if, in cases like the Garhwal re-poll where the outcome could be of considerable importance. So she is not visiting any of the six Parliamentary and 16 Assembly constituencies where by-elections are being held in five other States.

Unusual feature: Another unusual feature of these Assembly elections is that a very large number of candidates have, for one reason or the other, chosen to remain in

the contest. As many as 3,943 candidates are contesting the 582 seats in the four States, including 1,562 independents, according to the figures available in Delhi.

A total of 1,206 candidates, including 400 independents, are contesting the 254 seats in West Bengal, while in Kerala there are 701 in the field with 250 independents for the 140 seats. But Haryana has set a record with 1,095 candidates including 705 independents fighting for the 90 Assembly seats, while in Himachal Pradesh there are 941 of whom 209 are independents for the 68 seats.

There are only 30 odd straight contests and most of them are in West Bengal, while in Kerala, Haryana and Himachal Pradesh there are multi-cornered contests for practically all the seats with very few exceptions. The inordinate delay and continued confusion over the finalisation of lists of candidates by both the Congress (I) and the Opposition led to a very large number of aspirants filing their nominations in anticipation of obtaining party ticket at the last moment.

But this time a much larger percentage of party rebels has chosen to remain in the fray by defying the party directives to voice its displeasure over the denial of ticket, a good many of them have stayed on as a mark of protest against the failure of the respective party leaderships to apply any uniform criteria in selecting their candidates.

The unusually large numbers of independents, on the other hand, have been advised by influential candidates not to withdraw so that they could act as surrogates by cutting into the votes of their opponents. But then this is not a new phenomenon in Indian elections, since the same thing has happened many times in the past, except that it is occurring now on a much larger scale.

It is because of all these perplexing factors that there is no great enthusiasm in any camp in these elections. It is only the CPI (M) in West Bengal that seems to be greatly elated because of its expectations of being voted back to power in the State. It is otherwise a listless election which is hardly evoking the kind of countrywide interest it would have in more normal circumstances.

ELECTRONIC VOTING MACHINES PLANNED FOR MAY POLLS

Madras THE HINDU in English 4 May 82 p 1

[Text]

NEW DELHI, May 3.

Electronic-voting machines will be introduced for the first time in the country on a trial basis in parts of Parur constituency in Kerala during the Assembly poll on May 19.

The electronic voting device would be pressed into service in 42 of the 84 polling booths in the constituency, the Chief Election Commissioner, Mr. S. L. Shaktiher, announced here today.

He told newsmen that Bharat Electronics Limited, Bangalore, would supply 50 electronic voting machines on May 7 and a four-day training course would be held for poll officials in Parur constituency from the same day to acquaint them with the machines. Mr. Shaktiher would visit Kerala and particularly the Parur constituency shortly before the poll.

Ballot papers, booth capturing and invalid votes would become things of the past once electronic machines are used in elections.

The electronic voting machine does away with ballot papers and a voter has simply to press the appropriate button to register his vote. The machine consists of two portable battery-operated units.

Apart from saving an enormous amount of stationery and printing expenses, electronic voting would enable elections to be conducted at short notice.

The machine has a capacity for six candidates but it can be increased to any number. After a voter presses the desired button, the count is registered in the "memory" that can be preserved for two years.

The second unit of the machine — the control unit — is to be used by the presiding officer. The voting machine and the control machine are so interlocked that a voter cannot press more than once. The control unit has a register giving the total votes polled which is displayed on an electronic sign board in full view of election agents.

Mr. Shaktiher said the commission had placed orders for 350 machines, 250 with the Electronics Corporation of India, Hyderabad and 100 with Bharat Electronics.

Mr. Shaktiher said he would issue directions shortly for the use of electronic voting machines along with ballot boxes for casting votes.

Each machine costs about Rs. 5,500 and on mass production the cost is expected to come down. Voting through the electronic machine is six times faster than the conventional method.

CSO: 4220/7253

ELECTION COMMISSION ISSUES POLLING GUIDELINES

Calcutta THE STATESMAN in English 3 May 82 p 1

[Text] NEW DELHI, May 2.--The Election Commission has issued fresh guidelines to ruling parties in States going to the polls on May 19 to avoid misuse of official machinery during the election campaign, reports PTI.

In identical letters addressed to the State Governments concerned, the commission said Ministers should not combine their official visit with electioneering work and should not make use of official machinery or personnel during election campaigns.

Government vehicles, machinery and personnel should not be used to further the interests of the party in power.

According to the letter, public places such as maidans should not be monopolized by the ruling party for holding meetings. Other parties and candidates should be allowed the use of such places on the same terms and conditions on which they are used by the party in power.

Rest houses, dak bungalows or other Government accommodation should also be allowed to be used by other parties or candidates in a fair manner.

Issue of advertisements at the cost of the public exchequer in newspapers and other media during the election period regarding his achievements with a view to furthering the prospects of the party in power should be avoided scrupulously.

The letter suggested that Ministers and other authorities should not sanction grants or payments out of discretionary funds from the time elections were announced by the commission.

It said that from the time elections were announced by the commission, Ministers and other authorities should not make any promises to the electorate of construction of roads or provision of drinking water facilities which might have the effect of influencing the voters in favour of the party in power.

Broadcasting facilities over All India Radio and Doordarshan will be accorded to "national" and "State" parties recognized by the commission in view of the ensuing Assembly elections in four States.

STUDY REVEALS GNP GROWTH RATE 'NOT SIGNIFICANT'

Monday THE TIMES OF INDIA in English 3 May 82 p 15

[12-5-82]

NEW DELHI, May 2 (PTI).

THE rate of growth of gross national product (GNP) in India has not been significant despite a sharp rise in the ratio of investment to GNP from 10 per cent in 1951 to 24 per cent now, according to a study by the Federation of Indian Chambers of Commerce and Industry (FICCI).

While a large part of the additional investment had gone into capital-intensive sectors like power, oil, and heavy industry, the study says, this alone could not explain why the output-capital ratio should have more than halved.

POWER GENERATION

The study takes the view that there has been an over-employment of capital but no use of investment more productively. This was partly illustrated by under-utilised capacity like electricity generation where utilisation was less than 45 per cent and public sector enterprises below 66 per cent. Private sector industries, however, did better at 78 per cent, the study notes.

The study said output per man employed actually dropped in recent years.

In 1979-80 employment in the manufacturing sector was up by three per cent but output rose by only 1.1

per cent. On this basis, per capita productivity declined by two per cent, the study concluded.

Listing the reasons for drop in productivity, the FICCI study noted that in industry, capacity remained idle for a number of hours a day because of power shortage coupled with strikes, go-slows and lock-outs. FICCI said that the protected market had not created adequate compulsions to reduce costs.

Referring to Japan, the study pointed out that the use of robots and computers had cut down their costs drastically and it now posed a serious threat to our own labour-intensive industries. While capital-intensive technology may not be economic in a labour-surplus country like India, technology could not remain static, FICCI said.

The study also cited cases of industries where the existing price mechanism "knocked down" the incentive to improve productivity and called for a restructuring of the tax system.

Another major reason for lower rise in national income was the inordinate delay in implementing projects which raised project costs.

On agriculture, the study referred to the lack of scope for increasing the cultivable area and said the only key to higher production was increased productivity.

4220/7250

PLANNING MINISTER TALKS TO CONSULTATIVE COMMITTEE

New Delhi PATRIOT in English 28 Apr 82 p 7

[Text]

Planning Minister S B Chavan on Monday called for greater generation of internal resources by public enterprises in view of financial constraints in plan implementation, reports UNI.

The deficit financing should be kept within safe limits and the States should avoid recourse to overdrafts in order to sustain a high growth rate in the regime of relative stable prices.

Addressing the consultative committee of Parliament for his Ministry, Mr Chavan warned that a growth rate of per cent during 1980-82 against the Sixth Plan target of 5.2 per cent should not lead to complacency.

Describing implementation of the power programme as the 'weakest element' in the Sixth Plan, he said the achievement in 1980-82 was only 68 per cent. Un-

less urgent measures were taken to reverse this trend, other Sixth Plan programmes would be seriously affected, he warned.

There had been significant delays in the supply of equipment by Bharat Heavy Electricals Limited and other suppliers.

The organisational structure of State Electricity Boards should be strengthened giving them adequate powers.

About 16,000 MW would have to be commissioned in the remaining three years of the Sixth Plan. The plan envisaged a generation of 183 billion units in 1984-85. But this was unlikely to be achieved in view of large slippages in commissioning of new projects. Urgent efforts were needed to improve plant load factor of the existing stations.

The working of State Electricity

Boards would have to be improved considerably. Of the total anticipated losses of Rs 4,400 crores, Rs 3,500 crores could be saved for further investment. But the SEBS had not made a dent on this problem so far, Mr Chavan said.

Mr Chavan said despite borrowings of Rs 875 crores from the International Monetary Fund in 1980-81, the foreign exchange reserves declined by Rs 342 crores in that year. There was further decline in 1981-82 by Rs 1,468 crores after taking credit for the receipt of Rs 637 crores under the IMF extended arrangement.

Mr Chavan called for measures to increase domestic production of steel, cement and fertilisers, vegetable oils, and petroleum to curb the growth of imports.

CSO: 4220/7234

COMMUNIST LEADERS ISSUE STATEMENT ON PUNJAB

New Delhi PATRIOT in English 3 May 82 p 1

[Excerpt] CHANDIGARH, May 2. CPI general-secretary C Rajeswara Rao, and secretary M Farooqui today expressed concern over the dangerous developments in Punjab, causing immense harm to the unity of the people of the State as also to the secular democratic set up of the country and its national security.

In a joint statement, they said anti-national, extremist elements among the Sikhs, spearheaded by the Dal Khalsa, had started the communal mischief. The extremist communal elements among the Hindus have jumped into the fray to whip up communal tensions. "It seems that there was a concerted plan on the part of these communal elements on both sides to disrupt and destroy the amity between the two major communities of Punjab", they said. This will only gladden the hearts of the enemies of our country, the US imperialists and their henchmen in Pakistan, the CPI leaders added.

They said despite these planned provocations, the common people of both the communities have so far kept away from the mischief. Although, there has been universal condemnation by the Sikh masses of the sacrilege of some Hindu temples in Amritsar, the BJP-RSS were seeking to exploit the hurt feelings of Hindus to provoke communal tensions even in Haryana and HP, on the eve of the elections there.

for the worsening situation must

They said the responsibility be placed also on the shoulders of the State and Central Governments for their utter failure to take effective and prompt steps against the extremist communal elements of both sides.

They appealed to the patriotic people of Punjab not to fall a prey to the communal provocations and help in fighting their nefarious plans and activities.

CSO: 4220/7252

FOREIGN AFFAIRS OFFICIAL LEAVES FOR HAVANA

New Delhi PATRIOT in English 3 May 82 p 8

[Text] India on Sunday despatched a top official to Havana to attend a meeting of the non-aligned group regarding the seventh non-aligned summit to be held in Baghdad in September this year, reports UNI.

Additional Secretary in the External Affairs Ministry S K Singh left for Havana to attend the officials' meeting they would prepare the group for the Non-Aligned Foreign Ministers' Conference slated for the end of the month.

According to well-informed sources, there is a sharp division among the member countries on holding the summit in the beleaguered capital of Iraq.

The officials' meeting assumes crucial importance in this context. The Foreign Ministers' meeting of the non-aligned countries is expected to be held in Havana at the end of this month to decide whether to hold the conference in Iraq in view of the continuing Iran-Iraq war.

The officials meeting would also have to ascertain the view of the member countries about the alternative venue of the non-aligned summit meeting.

Iranian Foreign Minister Akbar Velayati, who left Delhi on Sunday for Tehran after his five-day visit, had informed the Government of India that many Heads of Government of the member countries had indicated to Iran that they would not be attending the summit in view of the continuing war between Iran and Iraq.

External Affairs Minister P V Narasimha Rao is going to Havana at the end of the month to participate in the Non-Aligned Coordinating Bureau meeting which would finally decide the timing and venue of the summit.

CSO: 4220/7252

TWO CPI-ML SPLINTER GROUPS REPORTED TO MERGE

New Delhi PATRIOT in English 3 May 82 p 4

[Text] PATNA, May 2 (UNI)--Two of the 13 splinter groups of the Communist Party of India (Marxist-Leninist)--Central organising committee of CPI-ML and the unity organisation--have merged in a single organisation with a pledge to make sincere efforts to work for the unity of all factions.

In a communique released here today the two organisations announced that a new party styled 'Communist Party of India-ML' had been set up.

While admitting that several communist revolutionary organisations and factions existed side by side, the new party said that to make it easily discernible from other CPI-ML factions, the name of the central organ of the new organisation would be 'Parts Unity' and the name of its highest body would be Central Organising Committee.

The two groups are stated to have pockets of influence in rural Bihar. However, the communique neither disclosed the names of its leaders nor the area of their activities. The decision to merge in one organisation was taken at a meeting held recently, according to informed sources.

The communique added, in achieving this merger, the erstwhile organisations proceeded with an attitude of equality and mutual respect. They also proceeded from the understanding that there can be no party organisation without differences existing within it.'

The organisations felt that the merger was no doubt a small step ahead in their task of unification but that it was in 'a correct direction.

CSO: 4220/7252

ASIAN DEVELOPMENT BANK NOTIFIED OF INTENT TO BORROW

Calcutta THE STATESMAN in English 28 Apr 82 p 1

[Text] NEW DELHI, April 27.--India has informed the Asian Development Bank of its intention to borrow from its main capital resources from next year but has not closed its options to take assistance from its soft-loan window the Asian Development Fund, as well.

This is thought to have sent ripples of anxiety through traditional beneficiaries of the ADB, which is now holding its annual meeting in Manila. The ADB had let it be known that it would agree to India borrowing from its ordinary funds, but had hoped that the country would not touch the soft-loan window.

An assurance to this effect is still to be sought from India's delegates to the Manila meeting on the ground that the Asian Development Fund does not have the resources to meet the requirements of a country and problems and size of India without seriously affecting traditional beneficiaries like Bangladesh, Nepal Sri Lanka and the like.

Indian delegates are expected to say that their Government will not immediately tap the Asian Development fund, even though India qualifies for assistance from it because of its per capita income. But it cannot be guaranteed. That this will be a permanent arrangement. Hence the option to tap the Fund will be kept open.

In any case India is to borrow from the ADB's Ordinary Capital Resources which are now to be replenished from the World money markets. Loans from this will be available at an interest of just over 10% annually, about the same as that charged by the World Bank.

The amount of the borrowings will depend on the success of the replenishment drive but India will claim a sizeable share because of the current acute balance of payments problems. Ideally, India would like \$2 billion over a five-year period, or roughly dollars \$400 million a month.

This should help fill the gap in the loans from the World Bank and the International Development Association which have indicated to the Government that it should expect cuts in assistance from them because of a change in their policies.

This will be the first time that India will be borrowing from the ADB even though it is one of its founder members and it the third largest contributor after Japan and the USA. However, the compulsions to borrow have now become irresistible.

India has contributed \$51.86 million to the ADB's capital stock in foreign exchange and the bulk of its subscription has been in rupees. This entitles the country to one position of executive director on the Board of Directors and one of the two ice-presidents.

CSO: 4220/7259

SCIENCE, TECHNOLOGY CONFERENCE OPENS IN DELHI

New Delhi PATRIOT in English 4 May 82 p 5

[Text] The heads of science and technology agencies of the Group of 77 countries began a three-day conference in the Capital on Monday with a call by Prime Minister Indira Gandhi for meaningful relationships among the developing countries in this field, which is vital to their development, reports UNI.

In her message to the conference, inaugurated by External Affairs Minister P V Narasimha Rao, Mrs Gandhi emphasised that developing countries must evolve mechanisms to share scientific and technological know-how.

"Equally important is the co-ordinated effort of the group of developing countries to ensure that the technology suppliers, inside and outside the group, will conform to certain acceptable norms which will allow technology to flow freely and will promote the causes of peaceful use of science and technology". Mrs Gandhi said.

India attached great significance to the conference as it was for the first time heads of science and technology agencies would be interacting to find solutions to various problems.

Welcoming the delegates from 55 countries, Mr Narasimha Rao said the developing countries should not hesitate to tighten their belts in other sectors to support programmes in science and technology.

Recalling Mrs Gandhi's appeal at the New Delhi Consultations in February last for solidarity and collective self-reliance among developing countries to reduce their vulnerability to pressures from, and events in, affluent countries, Mr Rao said cooperation in science and technology was an essential ingredient for building such solidarity and self-reliance.

Some of the major scientific and technological landmarks in world history were to be found in developing world, he pointed out.

But today, Mr Rao said, the bulk of the activities in the scientific and technological fields take place in the developed world, though very often unrelated to the real concerns and needs of the vast majority of the world population.

Staggering Task

Quoting the report of the Club of Rome on "Reshaping of international order", Mr Rao said 90 per cent of the scientists were living in the developed world and 90 per cent of their activities and programmes were geared to the objectives and needs of the people living in the developed world. This was an indication of the staggering task before the developing countries.

The present meeting, Mr Rao said, should result in the implementation of specific measures such as, solutions of specific technological problems through joint efforts, cooperation in the areas of technical innovation and research in advanced technology and overcoming certain constraints which had so far hampered cooperation among developing countries.

Mr Rao said he would like the scientists in the developing world to concentrate through joint research on finding solutions to problems such as the need to move away from a hydro-carbon based energy system, the eradication of water-borne and other diseases and attaining food security.

Minister of State for Science and Technology C P N Singh, who conveyed the Prime Minister's message to the delegates, expressed the hope that the New Delhi meeting would become a historical landmark in technical and economic co-operation among the developing countries.

Prof M G K Menon, member Planning Commission and leader of the Indian delegation, said the conference had been convened to follow up the programme agreed upon at the Caracas conference of the Group of 77 last year.

Addressing the conference on behalf of the chairman of the Group of 77 in Vienna, Prof (Mrs) Graciela de La Lama, Mexico's ambassador to India, said Indo-Mexican cooperation was feasible and beneficial. By taking advantage of research in Mexico on agricultural technology, India had not only achieved green revolution, but was today in a position to teach Mexico something more.

CSO: 4220/7255

RAO CLARIFIES CPI STAND ON STATE AUTONOMY

New Delhi PATRIOT in English 4 May 82 p 4

[Text] PATIALA, May 3 (PTI)--General secretary of the Communist Party of India C Rajeswara Rao said here today that his party favoured provincial autonomy to the extent that the Central Government should not be permitted to 'dismiss' duly-elected State Governments and impose President's rule'.

Mr Rao told reporters 'if a State Government goes out of power, it should be followed by fresh elections and not by President's rule.

He said that he wanted to make it very clear that his party did not support the Anandpur Sahib resolution of Akalis which aimed at limiting the powers of the Central Government only to defence, communications, currency and foreign affairs.

Mr Rao who arrived here today to make an on-the-spot study of recent disturbances in Patiala felt that the district administration had failed to handle the situation tactfully. The situation became explosive on Friday morning following act of sacrilege at local Maha Kali Mandir.

"It was to the knowledge of the administration that situation had become very tense. Despite this, the district authorities failed to take effective steps to curb the activities of extremists who intended to flare-up the situation for their personal game".

Mr Rao said that the extremists on both sides took out processions and raised provocative slogans against each other and even then the authorities took no action against 'rowdy elements', he added.

CSO: 4220/7255

CASTE SYSTEM REPORTED GAINING 'NEW LEASE ON LIFE'

Madras THE HINDU in English 4 May 82 p 8

[Text]

NEW DELHI, May 3

The Mandal Commission has warned against any assumption that the caste system was on the way out since it has gained a new lease of life by becoming a major factor in the electoral process.

It admits that caste restrictions have loosened considerably as a result of the rule of law introduced by the British and, after independence, by other factors like urbanisation, industrialisation, spread of education and introduction of adult franchise.

But these changes, in its view, only mark a shift of emphasis and not any material alteration in the basic structure of the caste system.

The Commission feels that the increasing importance of casteism in Indian politics is inevitable since this provides the political leadership with readymade channels of communication and even mobilisation. The Commission feels that it will increase rather than diminish.

It quotes with approval the observation of social scientist, Mr. Rajni Kothari, that "those in India who complain of casteism in politics, are really looking for a sort of politics which has no basis in society."

'Unrealistic': The Commission says: "the pace of social mobility is no doubt increasing and some traditional features of caste system have inevitably weakened. But what caste has lost on the ritual front, it has more than gained on the political front. In view of this,

it will be unrealistic to assume that the institution of caste will wither away in the foreseeable future."

The extension of caste's operational field from the confines of village and endogamous level to the State or all-India level may give the impression that at long last, the caste system is losing its traditional divisive role and hopefully, "we are moving towards the goal of national integration," but nothing could be farther from truth, it says.

To a large extent, it says, caste hierarchy also reflected a corresponding economic backwardness of the affected sections in society.

"If religion was ever used as an opium of the masses, it was done in India. A small priest class by a subtle process of conditioning the thinking of the vast majority of the people, hypnotised them for ages into accepting a role of servility with humility". As labourers, cultivators and craftsmen, "shudras", were the main producers of the social surplus.

Outcasts: The Commission says: "While their social labour was the life-blood of India's great civilisation, yet, they were treated as outcasts. They had no right to private property, carried the main burden of taxes and the heaviest punishments for even minor infringements."

As caste conditioned and controlled every aspect of an individual's life, says the Commission, it led to a situation where lower castes were backward, not only socially, but also educationally, economically and politically. But the higher castes advanced in all directions.

CSO: 4220/7253

PAPER STRESSES IMPORTANCE OF INDIAN EXPORTS

Export Promotion Measures

New Delhi PATRIOT in English 28 Apr 82 Supplement p 8

[Text] In the prevailing situation where the slogan is "export or perish," the Government also tries in its own way to boost exports by helping exporters in various ways. Over and above the Cash Compensatory Support (CCS) scheme, there are different institutions which help the exporters. The latest addition to the institutions for exporters is the Export Import (EXIM) Bank.

Let us have a look at different schemes as well as institutions helping the export efforts.

1. CASH COMPENSATORY SUPPORT:

Cash compensatory support is one of the important measures adopted by the Government for promoting exports from India. The scheme has been in vogue since 1966 and has been evolved over that period with modifications/refinements made in the scheme with the changing needs of the time. Rationale behind giving cash compensatory support is to make our exports competitive vis-a-vis exports from developed countries by compensating Indian exporters for various unrefunded taxes which add to the cost of the export product and by removing other disabilities which are inherent in our present stage of economic development

2. The entire scheme of cash compensatory support was reviewed some time back on the basis of the recommendations made by the Committee on Import-Export Policies and Procedures (Dr Alexander Committee) and revised criteria, as approved by the Cabinet, were adopted by the Government for fixation of rates of cash compensatory support effective from 1-4-1979. Broadly, the factors taken into account for fixation of rates of cash compensatory support are:

- i) Neutralisation of the handicaps encountered by exporters in the shape of (a) indirect taxes, including sales tax on inputs imported or domestically purchased that remain unrefunded after duty drawback; (b) higher rate of interest payable in India on working capital on goods required for export production.
- ii) The nature of industry producing the item-whether small scale and cottages sector etc.

iii) Labour-intensive industries and agriculture based products.

iv) Cost of entry into the new markets.

v) Cost of development of new products.

4. Cash compensatory support is at present granted on various items under following product groups:-

Engineering goods; Chemicals and Allied Product; Leather; Plastics; Sports goods; Marina products; Fresh and Processed foods; Carpets and Handicrafts, Woollen Fabrics and made-ups; Natural Silk Fabrics and Garments; Coir products; Decorticated Cottonseed Extractions; Jute Products; and Miscellaneous Groups.

5. In order to induct an element of stability in the export trade and to remove uncertainty in the minds of the exporters about the level of assistance provided by the Government, rates of cash compensatory support announced wef 1-4-1979, were in most cases, made applicable for a period of 3 years, i.e up to 31-3-1982. However, in order to take note of the changing situations, the Government can make certain changes in the rates of cash compensatory support and this position was made amply clear to the trade. Thus, the rates of cash compensatory support are kept under continual review and changes are brought about as and when situation so warants.

6. The existing scheme of cash compensatory support which expired on 31-3-1982, has been extended for further period of three years.

7. A statement showing the amount of cash compensatory support paid during the past 3 years is at Annexure.

II. EXPORT CREDIT AND GUARANTEE CORPORATION LTD:

The Export Credit and Guarantee Corporation Ltd. was set up in 1957 as the Export Risks Insurance Corporation for providing credit insurance cover to Indian exporters against commercial and political risks involved in exports on credit terms. It was transformed into Export Credit and Guarantee Corporation Ltd., in 1964, with the enlarged scope of providing guarantees to commercial banks against the credit advanced by such banks to the exporters. The Corporation's insurance and guarantee business has, since then, been gradually developing. The facilities offered by the Corporation both in the field of export risks insurance and in the field of export financing are increasingly being made use of by large number of exporters.

Trend of the growth of the business of the Corporation during the year 1976-1981 is indicated in the table below:-

	1976	1977	1978	1979	1980	1981*
a) No. of insurance Policies in force.	5466	5329	5320	5081	5669	6000
b) No. of Guarantees to Banks in force.	2845	3466	3433	3471	3776	3800
c) Maximum Liability Under (a) and (b) above (Rs in crores).	1976 1174.36	1977 1780.00	1978 2075.37	1979 2500.42	1980 3448.15	1981 5000.0
d) Risk value under (a) and (b) above (Rs in crores)	1976 2978.43	1977 3278.68	1978 4149.44	1979 4698.76	1980 6303.24	1981 6425.00

* Figures for 1981 are estimated figures taking into account actuals up to October, 1981.

Financial results of the corporation for the year ended 31st December, 1980.

i) The total value of business under-written comprising exports covered under the Corporation's insurance policies and the value of the bank advance and other facilities supported by its guarantee schemes was Rs 6,303 crores in 1980 as compared to Rs 4,699 crores during 1979 representing there-by an increase of 34 per cent.

ii) During the year, 4715 policies were issued as against 4412 policies issued during 1979; of these 1370 policies were issued to exporters availing of the Corporation's facilities for the first time. The risk value covered under the standard policies amounted to Rs 1017 crores showing an increase of 30.1 per cent over Rs 782 crores in 1979. The premium income for the year ending December, 1980 amounted to Rs 10.59 crores which is 59.49 per cent higher as compared to the premium income of Rs 6.64 crores in 1979. Income from interest on Government securities and other investments and other miscellaneous income during the year amounted to Rs 275.18 lakhs.

iii) During the year, the Corporation covered bank advances and guarantees to the tune of Rs 5228.04 crores as compared to about Rs 3,885 crores in 1979, representing thereby an increase of 34.6 per cent. The Packing Credit Guarantee of the corporation continued to be the most popular of all the guarantees and value of advances covered under this guarantee increased from Rs 3,433.44 crores in 1979 to Rs 4019.79 crores in 1980 registering an increase of 17 per cent.

iv) Total amount of claims paid by the Corporation during 1980 was Rs 11.37 crores as against Rs 7.71 crores paid during 1979. Out of this, Rs 9.82 crores were paid under the insurance policies and rest under the Guarantees. Recoveries amounted to Rs 6.76 crores during 1980 as against Rs 2.94 crores in the previous year.

vi) After taking into account the previous year's underwriting reserves of Rs 661.79 lakhs, the year closed with a gross income of Rs 1,998.10 lakhs as compared to Rs 1,455.70 lakhs in 1979.

vi) The Directors of the Corporation recommended a dividend at the rate of 10 per cent to the Government for the year 1980 on the paid up share capital of Rs 1 crore, by appropriating a sum of Rs 10 lakhs out of the surplus net earned during the year. Total reserves of the Corporation stood at Rs 1,592.68 lakhs at the end of the year.

New Schemes introduced by the Corporation

i) Exchange Fluctuation Schemes:

During the year 1980, the Corporation introduced two new schemes--Exchange Fluctuations Risks (Bid) Cover Scheme and Exchange Fluctuations Risk (Contract) Cover Scheme to replace the erstwhile scheme of Long Term Forward Cover of the Reserve Bank of India. These schemes are designed to protect the exporters against exchange fluctuations right from the stage of bid of a tender. The approved currencies for the purpose of these schemes are Pound Sterling, US Dollars, Deutsche Mark, Japanese Yen, French Franc and Swiss Franc. These Schemes, it is expected, will benefit exporters engaged in exports on deferred payment terms, project exports, construction contracts, etc.

ii) Reinsurance Scheme:

The rate at which Export Credit and Guarantee Corporation Ltd. is making payment of claims is increasing substantially and the ratio of Net Claims to Total Receipts is expected to be of the order of 64.92 per cent during 1981. Due to the expected increase in the Risk exposure of the Corporation, it was thought necessary to enter into Reinsurance Arrangements in order to protect the Corporation from any excessive losses. With this end in view negotiations were conducted for Reinsurance Arrangements for the Political Risk Portfolio of the Corporation since many years and the negotiations finally bore fruit during 1981. Reinsurance Cover for the underwriting years 1981 and 1982 has been obtained from M/s Lloyds and Company and other underwriters in London, according to which losses in excess of 125 per cent of the Premium Income of the Corporation would be reimbursable. Under this arrangement the losses to be covered are from Rs 5 crores to Rs 10 crores and Rs 6.25 crores to Rs 12.50 crores for the underwriting years 1981 and 1982 respectively.

Since claim payments in 1981 (number illegible) for the Political Risk portfolio for shipment made in 1981 is expected to be only of the order of Rs 34.60 lakhs out of anticipated Premium Income of Rs 500 lakhs no claim is payable by Reinsurers during 1981. However large claims in respect of these shipment, particularly to Sudan, will materialise in 1982, and this would attract the provisions of the Reinsurance Arrangements.

CAPITAL STRUCTURE OF THE CORPORATION:

At the time, the Corporation was originally set up, its authorised capital was Rs 5 crores and subscribed and paid up capital was Rs 2.5 crores and Rs 0.50 crores respectively. The paid up capital of the Corporation was raised from Rs 0.50 crores to Rs 1 crore in 1965 when the maximum liability under various policies issued by the Corporation amounted to Rs 40.07 crores only. Since then, while the paid up capital of the Corporation has remained unchanged, there has been a phenomenal increase in the business of the

Corporation. At the end of 1980, the total maximum liability of the Corporation, had increased to Rs 3,448.15 crores. As the capital structure of the Corporation has remained stationary at the above levels, and the business of the Corporation has kept on increasing at the fast pace, the ratio of maximum liability of the Corporation as compared to its capital and reserves, has been dwindling from year to year. This ratio which was 2.39 per cent in December, 1970 had reduced to 0.32 per cent in December, 1980 as indicated in the table below:

	(Rs. in crores)			
	31-12-70	31-12-76	31-12-79	31-12-80
Maximum Liability	235.92	1174.36	2500.42	3448.15
Capital and Reserves	5.66	8.50	10.58	10.90
Ratio	2.39%	0.72%	0.72%	0.32%

The Corporation has therefore been experiencing operational difficulty particularly in dealing with other financial organisations. Besides, in course of the next few years the Corporation will undertake more and more liability in view of the increasing exports from this country. Also, with the rise in the project exports and exports of consultancy services from India, the Corporation will be required to cover much larger volume of export commodities and service involving deferred payments.

It is, therefore, proposed to raise the paid up capital of the Corporation from the present level of Rs 1 crore to Rs 2.5

crores. A provision to this effect has been made in the budget estimates for 1982-83.

PREMIUM STRUCTURE:

Export Credit and Guarantee Corporation Ltd. had not revised the Premium Rates since 1965. While the cost of servicing of Policy has risen three fold from Rs 391.28 to Rs 1,238.75 during the decade from 1970 to 1980, the Premium Rates remained the same while other credit insurers in the world were revising their Premium Rates from time to time as one of the strategies for balancing the Claim Payment and Premium Income. While reclassifying countries and going off

cover could meet the situation to some extent any disequilibrium between Premium Income and Claim Payment can be corrected only by revision of Premium Rates. The ratio of Net Claims to Total Funds is expected to reach a level of 44.92 per cent during 1981 and the risk exposure of the Corporation is bound to grow at a rapid rate in the years to come, the Premium Structure of the Corporation has been revised with effect from 1-2-1982 with the approval of the Board of Directors and the Government of India. The revision in the Premium Structure is expected to yield approximately an increase of 30 per cent or 40 per cent in the Premium Income of the Corporation.

III. ASSISTANCE TO EXPORT HOUSES:

In so far as Export Houses are concerned, grant is allowed to them for the following export promotional activities:

ANNEXURE

Cash Compensatory Support paid during 1978-79, 1979-80 and 1980-81 (Provisional).

	1978-79	1979-80	1980-81 (Provisional)
1. Engg. goods	13,645.53	12,526.86	14,160.51
2. Chemical and Allied Products	3,069.77	2,589.80	3,307.91
3. Plastics goods	319.17	262.24	335.25
4. Sports goods	341.82	310.89	389.30
5. Processed food, fresh fruits vegetables and flowers.	1,440.58	1,235.11	1,492.08
6. Instant coffee, extracts and essence.	21.28	40.93	105.90
7. Instant tea, packet tea, and tea bags.	928.90	671.05	791.71
8. Woollen Carpets, Rugs and Druggets	2,564.70	1,934.20	4,205.29
9. Jute products	1,820.63	1,144.34	489.09
10. Fish and fish products	80.74	115.26	190.04
11. Finished Leather and Leather Manufactures.	3,485.17	4,460.58	4,004.81
12. Handicrafts	1,343.70	1,306.19	1,625.83
13. Natural silk fabrics, garments and made-ups, Synthetics fabrics and garments.	1,272.42	1,776.63	1,898.84
14. Woollen/Blended knitwear.	16.23	0.08	5.06
15. Cigars and Charrots	—	0.90	0.04
16. Cotton Handloom	—	—	840.91
17. Assistance to ICMF on export of Cotton Textiles.	4,867.24	4,487.99*	3,225.98
		*(including Rs. 382.00 lakhs disbursed through PCCI&E, Madras)	
18. Coir Products	79.31	108.08	11.90
19. Groundnut cakes extractions.	244.31	1.38	0.48
20. De-oiled Mango Kernels and De-oiled Rice bran.	340.69	221.67	365.59
21. Cotton seed extractions and expeller cakes.	—	204.38	159.99
22. Transport subsidy	8.65	16.95	49.39
23. Reimbursement of CST from ETZ.	—	—	0.00
24. Iron and steel, scraps and ferrous scraps.	8.49	0.08	—
Total:	35,892.38	34,415.54	37,656.99

- i) participation in fairs/exhibitions abroad;
- ii) sending sales teams abroad;
- iii) opening foreign offices-/warehouses abroad; and
- iv) publicity abroad.

As a result of the increase in the number of Export Houses in the country, more and more such Houses are coming forward with their proposals for availing grants from the Fund. During 1981, as many as 559 proposals were received from Export Houses for MDA grant.

Role in Economy

New Delhi PATRIOT in English 28 Apr 82 Supplement p 3

[Text]

The table below gives the developments in three key indicators reflecting the state of the export sector at this point of time. These

indications are: exports, imports and balance of trade.

Table 'A' reveals the following facts:

Table A

Year	Imports	Growth Rate	Exports	Growth Rate	(Rs Crore) Balance of Trade
1966-67	1901.75	—	1068.78	—	— 809.97
1967-68	2007.61	+ 5.6	1198.60	+ 9.6	— 808.93
1968-69	1908.63	— 4.9	1357.87	+ 13.3	— 550.76
1969-70	1582.10	— 17.1	1413.28	+ 4.1	— 168.82
1970-71	1634.20	+ 3.3	1535.16	+ 8.6	— 99.04
1971-72	1824.54	+ 11.6	1608.82	+ 4.8	— 215.72
1972-73	1867.44	+ 2.4	1970.83	+ 22.5	+ 103.39
1973-74	2955.37	+ 58.3	2523.40	+ 28.0	— 431.97
1974-75	4518.78	+ 52.9	3328.83	+ 31.9	— 1189.95
1975-76	5266.20	+ 16.5	4042.25	+ 21.4	— 1222.95
1976-77	5073.79	— 3.6	5142.25	+ 27.2	+ 68.46
1977-78	6025.29	+ 18.8	5404.26	+ 5.1	— 621.03
1978-79	6814.30	+ 13.1	5726.26	+ 6.0	— 7088.04
1979-80	9021.75	+ 32.4	6458.76	+ 12.8	— 2562.99
1980-81	12484.34	+ 38.4	6709.17	+ 3.9	— 5775.17

TABLE B
(Rs in Crores)

	This Year April-Nov. 81	Last Year April-Nov. 80	This Year 81-82 (Est.)	Last Year 80-81 (P)
Imports	8184.40	7344.33	—	12484.34
Exports	4661.60	4037.98	7900.00	6709.17
Balance of Trade	(—)3522.80	(—)3306.32	—	(—)5775.17

1. Imports have risen significantly since '73 on account of oil price hike. This has put the balance of trade position under severe pressure. The full impact of the increase in imports was not felt till '77 due to comparatively high growth rate in exports. In percentage terms, the import

growth was very high in years 73-75. This growth rate declined in 75-79. After '79, the rate has climbed again to over 30%. Most of the import bill is made up by oil import and maintenance goods such as fertilisers and food items.

2. Exports have grown well during the five year period 72-77 when

they rose from Rs 1608 crores in 71-72 to Rs 5142 crores in 77-78. The average growth rate during this period stood at 22.7 %. The rate has flagged since then with a mild recovery in 79-80. However, the figure for 80-81 is only 3.9% which is the lowest growth rate since '66. World demand and condition of domestic infrastructure are two major factors in determining the quantum of exports. The 72-77 growth is attributed to world demand. The subsequent fall is attributed to recessionary conditions in the developed countries. Critical inputs from the infrastructure such as coal, transport and steel were in short supply.

3. It is clear that the third indicator, viz. balance of trade depends upon the movement of the other two indicators, i.e. imports and exports. Thus the balance of trade worsened progressively from a positive figure of + Rs 103.39 crores to - Rs 1223 crores in 75-76 in spite of the boom in exports. As the domestic industrial output went up in 76-77 and maintenance imports declined, the balance of trade changed sign to + Rs 68 crores. However, the earlier trend was restored and strengthened in subsequent years as exports growth declined. The trade gap worsened to a record level of Rs 2563 crores in 79-80. Even this record was broken in the

next year when the trade gap doubled to Rs 5775 crores. The latest trends are as per Table B. 0/0 age reflects increase in Apr.-Nov '81 over the previous corresponding period.

The Table 'B' shows that exports till November this year are up by 15.4% against 5.3% in the corresponding period last year. The year is expected to end with exports touching Rs 7900 crores—representing an improvement of 17.8% from last year. Both these figures show that 81-82 will be the best year after 77-78 when export growth plummeted to 5.1% from 27.1% in the previous year.

However, the balance of trade position continues to be bleaker with imports till November up by 11.4% from last year. Import growth is down from last year on account of fall in international oil prices and improved production in domestic oil fields. Besides, maintenance imports such as fertilizer and food products are also down from last year.

The latest position of foreign currency reserves is as per Table 'C'.

The Table "C" makes it clear that the golden period in foreign exchange reserves lasted till 79-80 subsequent to which the negative trend setting in after 77-78 in the balance

FOREIGN EXCHANGE RESERVES

Table C

Year	SDRs (in m.)	Gold Foreign Exchange (Rs. in lacs)	
74-75	234.9	182.53	610.50
75-76	202.6	182.53	1491.70
76-77	187.4	187.80	2962.99
77-78	161.3	193.08	4499.73
78-79	364.9	219.50	5219.86
79-80	529.1	224.71	5163.66
80-81	490.5	225.58	4822.12
Aug. 80	522.4	224.71	5245.59
Aug. 81	477.0	225.58	3837.59

Table D

Increasing Export Commodities	Decreasing Export Commodities
Rice (107%)	Coffee
Sugar (87%)	Spices
Tobacco (61%)	Groundnut extractions
Wool and Woollen Manufactures (38%)	HPS groundnuts
Cotton seed extractions (37%)	Man made textiles
Basic Chemicals (3.5%)	Jute Manufactures
Carpets (35%)	
Processed Foods (31%)	
Cotton Textiles (29%)	
Marine Products (27%)	
Plastic and Linoleum (26%)	
Gems and Jewellery (24%)	
Engineering Goods (23%)	
Cashew kernels (20%)	

of trade showed its effect on the reserves which started falling. Earlier the foreign exchange reserves excluding gold and SDR nearly doubled every year till 77-78 when they stood at nearly Rs 4600 crores. In August 31, these reserves are down to Rs 3636 crores. Ironically, the same month last year represented the peak figure of reserve accumulation at Rs 5246 crores. There is a fall in SDR reserves also. As is well known, to tide over emerging balance of payment problems on account of balance of trade and to pay for other imports, the Government has negotiated a \$ 5600 mn. loan from IMF.

It is thus clear that foreign trade and exchange situation is still very bleak in spite of small reversal in export growth trend. This calls for concrete yet imaginative strategies to deal with the situation.

Review of Export Commodities

The year under review is expected to close with an export figure of Rs 7900 crores which is down by Rs 500 crores from the target of Rs 8400 crores set for 81-82. According to figures furnished by the Commerce Minister to the Parliamentary Consultative Committee, the balance sheet on some of export commodities is reflected in Table 'D'.

The outlook for plantation products is mixed while tea, accounting for nearly 70% in the Rs 647 crores target for 81-82 is looking up, coffee and cardamom, the other two commodities in the groups are down. Tea staged a marked recovery in November 1981 as prices went up. It is expected that tea exports will touch 240 mn. kg. in 1981-82. This is above the 230 mn. kg. target. The previous best performance of 233 mn. kg. would thus be bettered. The trend in fall of unit value realisation from Rs 25.43 kg. in 77-78 to Rs 18.10 kg. in 80-81 has been reversed for the time being.

On the other hand, coffee is expected to be below even the Rs 160 crores target for 81-82, which in itself is well below the figure for 80-81 of Rs 215 crores. India's excess world production, coffee prices are down by nearly 30%. Unfortunately the improvement in prices noticed in the beginning of this year was not sustained.

Guatemala is giving tough competition to India in cardamom resulting in decline in India's importance in lucrative markets like the Gulf. Cardamom exports are also down from last year.

The second group comprising agriculture and allied products represents a very important part of the export sector. It represents more than Rs 1000 crores in the export target. Marine products represent 30% of this target and shrimps to Japan and USA accounts for most of this 30%. In the year under review, the falling trend setting in last year has been reversed and the target will be reached. Exports till November are up by 27% from last year.

Rice exports accounting for 20% share in the target will be much more than last year's provisional figure of Rs 200 crores. In fact, rice exports till November are 107% higher than the corresponding period last year. It is expected that nearly a million tonnes of this commodity will be exported mainly to USSR.

Spices (excluding cardamom) outlook is not too bright due to competition from Indonesia, Brazil and China. There is a decline of nearly 30% in 81-82 exports. Nevertheless, the sector occupies an important place in the export world as exports of all spices have improved from a small figure of Rs 3.9 crores in 70-71 to Rs 93 crores in 80-81.

Tobacco exports accounting for nearly 15% in the target, are also up from last year on account of increased off take by China and USSR. Between the two, these countries will account for 62,000 tonnes in 81-82. This figure should be seen against total export of 77,000 tonnes in 80-81. This makes the increasing trend clear.

Cashew exports are also up in 81-82 by at least 20% due to higher unit value realisation, although the quantity as such has fallen. The import of raw cashew nuts, as more cashew nuts in quantity terms was brought into the country. However, the unit value of imports also went up significantly.

Cotton and sugar will also cross their targets as the supply situation is easy and availability of these items for domestic consumption is adequate.

The next group comprise Ores and Minerals including mica. It accounts for Rs 494 crores in the export targets. Iron ore (Rs 385 crores) and Mica (Rs 52 crores) are the two major items in this category. Preliminary information reveals better unit value realisation due to average

increase by 74% in prices. Diversification to other countries besides Japan is being achieved to improve the unit value realisation and avoid fluctuations in demand.

The fourth category comprises Leather, Sports Goods and Gems and Jewellery and accounts for Rs 1285 crores in the export target of Rs 8400 crores. Leather exports account for Rs 425 crores in the target.

Exports till November are up by 22% from last year's figures. It is expected that the target will be crossed by Rs 20 crores. Major increase has occurred in footwear components.

Gems and Jewellery export target stands at Rs 825 crores. The council governing the industry has said that according to present trends their target will be reached. The provisional figures for 80-81 stand at Rs 640 crores. Present trends indicate that 81-82 figures till date are nearly a fourth above last year's figures.

The fifth category comprising fibre items under Textile and Jute accounts for Rs 1578 crores in the export target for 81-82. The break up of this is:

	Rs Crores
1. Cotton textiles	989.00
2. Jute	338.00
3. Manmade textiles	50.00
4. Natural Silk	75.00
5. Wool and Woollens	78.00
6. Coir and Coir Mfrs.	48.00

1578.00

The prospects for Cotton textiles, wool and woollens manufactures are good with exports till November 1981 looking up by 29% and 33% respectively from last year's corresponding figures. A major reason for this is the conclusion of major export deals with the USSR and other East European Socialist countries. The domestic market for these items is also not very strong so a part of the output can be reserved for exports.

The prospects for other items are dull due to the basic uncompetitive nature of the industry in the changing international market with strong product substitutes and competitors coming up.

Other Handicrafts which include handknotted carpets and brass metalware as the major items account for Rs 365 crores in the export target. The prospects in 81-82 are encouraging as carpet exports are up by 30% from last year on account of the improvement in the DPM rate and

upturn in the West German economy

Chemicals and allied products account for Rs 545 crores in the target. Basic Chemicals exports are up by 37 per cent from previous year due to improved position on USSR contracts. The major improvements are in Drugs Pharmaceuticals and fine chemicals sub group and glycerine soaps, detergents, cosmetics and toiletries sub group. The progress on the other product groups

is satisfactory

Engineering Goods exports as pointed out earlier are progressing satisfactorily and the Council hopes to reach this year's target of Rs 1150 crores. Preliminary figures of exports available till April-November 1981 show exports at Rs 521 crores (last year same period Rs 422 crores). This represents a growth of 23 per cent. Considering last year's figure of Rs 900 crores, the figure of Rs 1150 crores should not be difficult to cross at this rate.

Exports to USSR

New Delhi PATRIOT in English 28 Apr 82 Supplement p 7

[Text]

It is a matter of considerable satisfaction that the country's exports to the USSR have been rising quite significantly. In 1981, for instance, India's total exports stood at Rs 6,800 crores. Some Rs 2,600 crores, representing about 40 per cent of these exports, were to the USSR. The target set for exports to Russia in the current year is Rs 3,200 crores. India imports from the USSR a wide range of items, petroleum products including kerosene, fertiliser, newsprint, non-ferrous metals and several others of strategic interest. We would undoubtedly pay in hard currency for these imports where they to come from any other source.

In the context of the prevailing recessionary conditions in the industrialised western nations the exports to Russia have helped industry at home to utilise its capacity well. Indeed India should take fullest advantage to nurture the Soviet market in its long term interest.

The USSR is a country with which India has built up trade relations as a matter of conscious policy over the years. The fact that exports to Russia which in popular parlance fall under rupee trade may seem to suggest that it is an easy way for building up exports. A closer examination, however, reveals very clearly that this trade is in no way different from the trade with other countries of western Europe, the USA or Japan. The only difference is that the Indian rupee is used to measure the volume of

transactions. It is not used for the settlement of accounts. The trade agreement between the two countries stipulates that at its expiry whatever balance remains will have to be settled in free foreign exchange.

The Indian exports to the USSR today comprise textiles, detergents, leather goods, woollen garments, shampoo, toothpaste and several others manufactured by private sector organisations. The Russians are known to be very shrewd buyers. So if they buy consumer goods from India it is a recognition of quality and competitiveness of our products. Several decades of manufacturing experience have gone into building this goodwill for Indian products as each one of them has to conform to international quality. This is the reason why many private sector manufacturers with an eye on the future are setting up production facilities in free trade zones such as Kandla. Quite correctly, the commerce ministry recognises their importance and allows even imports of certain raw materials to be incorporated in the products for exports so that the industry is well equipped to add value, stand up to international competition and create local employment. Most important of all, this brings us an export culture in a wide area: brand marketing, commercial acumen, manufacturing expertise and packaging to name a few. It must be obvious that it takes more than mere good intentions between countries to build up exports, and

EXPORTS OF SELECTED COMMODITIES

(In Crores)

	1979-80	1980-81	April 1980 (Provi)	September* 1981 (Provi)	% Variation April-Sept. 81 over April-Sept. 80
1.	2.	3.	4.	5.	6.
A Items showing increase in April-Sept. 1981					
1 Tea and mate	367.84	385.26	144.53	180.20	+24.7
2 Tobacco unmanufactured and tobacco refuse	102.25	122.55	75.99	107.14	+41.3
3 Cashew Kernels	119.10	123.21	72.86	108.87	+46.9
4 Rice	123.10	155.98	43.70	146.21	+254.6
5 Fish, crustaceans molluscs and preps. thereof	249.43	223.66	90.68	120.25	-32.7
6 Oil seeds	127.53	100.24	44.40	59.85	+34.8
7 Crude vegetable materials	86.53	68.91	53.28	77.10	+44.7
8 Sugar	128.94	36.96	10.05	15.36	+52.5
9 Mica	20.58	18.21	8.67	16.00	+107.6
10 Leather & leather manufactures excluding footwear	485.56	341.24	147.39	177.37	+20.3
11 Readymade garments	459.67	480.97	190.56	252.99	+33.1
12 Made up articles wholly or chiefly of cotton etc.	77.98	96.84	43.08	66.69	+7.9
13 Fabrics of man-made fibres	32.40	47.66	16.56	18.30	+11.8
14 Coir manufactures	436.56	17.71	9.41	11.27	+19.8
15 Machinery & Transport equipment	447.38	494.06	251.58	280.37	+11.4
16 Chemicals & Allied products	197.81	309.84	113.77	157.82	+38.5
17 Pearls precious and semi precious stones	518.96	542.66	186.96	252.26	+35.4
18 Works of art	105.50	109.04	54.94	68.66	+25.5
19 Carpets handmade	139.76	140.31	63.97	87.19	+36.8
B Items showing decline in April-September, 1981					
1 Coffee	185.31	225.01	128.18	48.81	-45.9
2 Spices	149.87	106.18	53.13	37.83	-35.8
3 Cotton raw	78.10	120.64	56.39	16.28	-73.1
4 Iron Ore	286.34	289.41	150.28	119.05	-14.8
5 Other minerals other than iron ore, Manganese ore and Mica	54.06	59.30	31.06	7.18	-76.9
6 Fixed vegetable oils and fats non-essential	41.80	13.11	7.79	4.83	-37.8
7 Cotton Yarn	15.17	28.61	9.56	7.39	-22.7
8 Cotton fabrics	287.40	283.84	130.06	119.32	-8.1
9 Silk Fabrics	19.25	17.34	9.08	4.23	-53.4
10 Jute mfrs. Incl. twill & Yarn	136.13	243.26	153.40	134.14	-12.6
11 Footwear	33.80	34.73	16.82	12.13	-27.9
12 Metal Mfrs. excl. iron & steel	83.56	208.81	36.96	41.40	+15.0
13 Iron & Steel	106.23	82.33	36.12	33.56	-4.4
Grand Total (Incl. other items)	6458.77	6706.54**	2843.27	3132.45	

* Figures are provisional and subject to revision

** Monthly statistics of Foreign Trade of India September, 1980

Source: DGCI&S, Calcutta

** Revised as per October 1981 Press Note

bilateral trade of the type with
the USSR in which the private
sector is taking an active inter-
est is therefore nothing at all to
scoff at.

Indeed many industrialised countries are eager to sell to the Russians. It is not only Pepsi and Fiat who have recognised this. The USSR is a big market and it is bound to need products from everywhere. The point is that the USSR and the Indian government have identified areas for trade and economic cooperation based on mutual advantage. The production capacities built specifically for meeting the Russian market will pave the way for exporting to other countries as well. So the question to ask is whether we will be better off without any exports to the USSR. The answer is self-evident. We simply cannot be better off by deliverately not producing goods we are quite well equipped to produce.

The USSR and other centrally controlled economies are certainly, in the comity of nations of the world. They simply cannot be wished away, by burying our heads into sand ostritchlike. On the other hand, India should go all out to build strong trade relations as much with them as with the rest of the world. For utiliately, what will prevail in world markets is the sheer logic of economics: We cannot thrust on any one goods that are not wanted and goods for which we have not created a market at a competitive price. So to us a rouble must be as significant as a dollar.

ISO: 4220/7235

ASSISTANCE TO SRI LANKA INDUSTRIAL PROJECTS PLANNED

Madras THE HINDU in English 4 May 82 p 9

[Text]

NEW DELHI, May 3.

India and Sri Lanka today decided to simplify the existing procedures for the utilisation of the Indian line of credit of about Rs. 10 crores to Sri Lanka.

The two sides also discussed proposals for the establishment of a toolroom-cum-advanced metal working training centre in Sri Lanka. The Ceylon Steel Corporation will set up the centre in technical collaboration with HMT Ltd.

The agreed minutes of discussions held under the aegis of the Indo-Sri Lanka Joint Commission, were signed here today.

Both the countries have decided to explore possibilities of technical cooperation in pilot industrial projects in Sri Lanka.

India will provide technical assistance for conducting surveys to establish resource-based industries.

These decisions were reached in two days of talks between the External Affairs Secretary, Mr. Eric Gonsalves, and Mr. C. Channugam, Deputy Secretary to the Sri Lanka Treasury.

It was proposed that India could provide technical or financial collaboration for manufacturing commercial vehicles in Sri Lanka, according to an official spokesman.

He said the two sides showed keen interest in setting up joint ventures in Sri Lanka and it was agreed that basic project profiles would be drawn up for circulation among India and Sri Lankan entrepreneurs in such fields as production of alcohol from tapioca, leather tanning chemicals and essential oils.

He said a number of Indian businessmen had sent applications for joint ventures.

PROPOSED REQUIREMENTS FOR FOREIGN TOURISTS OUTLINED

Bombay THE TIMES OF INDIA in English 2 May 82 p 9

[Article by K. N. Malik]

[Text] Foreign tourists coming to India in future will require visas like any other visitors.

A high-level meeting presided over by the Union cabinet secretary recommended a week ago that the grant of tourist permits at airports, which entitle tourists to stay in India for 30 days, should in future be applicable to nationals of only those countries which allow such facilities to Indian tourists.

The decision is yet to be ratified by the cabinet.

At present, any visitor who describes himself as a tourist is allowed to enter India without a visa and can stay for 30 days. The facility is available to all tourists except those from Pakistan, Bangladesh and Sri Lanka.

Though officially citizens of Israel and Taiwan are not covered by this rule, the immigration authorities have been told to look the other way and treat nationals from these countries as any other tourists.

South African tourists are allowed entry for only three days.

Two main reasons, which prompted the government to do away with the landing permit facilities to tourists, are reciprocity and security.

A large number of persons from some countries in West Asia come to India as tourists and "get lost". The government apprehends trouble from such persons, especially in view of the Iran-Iraq war and rebel activity against the Afghan government. It would especially like to avoid the Munich Olympics-type situation when Israeli athletes were massacred. The visa, therefore, may be introduced before the Asiad.

Curbs on Indians

Secondly, some governments have of late introduced visas for Indian visitors. The Federal Republic of Germany and Canada introduced visas for Indians three years ago.

Ironically, the FRG was the first non-Commonwealth country to unilaterally abolish the visa system in 1956. The step was taken after the Indian tourist officials' recommendation to abolish visas for tourists coming from Western Europe and the U.S. was turned down by the government of India. The then prime minister, Mr. Jawaharlal Nehru, had accepted the suggestion. But the then Union home minister, Mr. G. B. Pant, rejected the proposal on the plea that similar facilities could not be granted to visitors from the communist countries.

It was only in 1967, which the United Nations designated world tourism year, that India introduced a tourist permit for a seven-day visit. Later, it was felt that since the average stay of a tourist in India is 26 to 28 days, the tourist permits should be for 30 days.

The government order is renewed every year. It renewed the order on April 1 last. It is interesting to note that the Union home ministry has never accepted the universally recognised definition of a tourist as a person who spends more than 24 hours on his or her own expense in another country. That is why it insists on a person desiring to enter India to declare that he or she is a tourist. Most visitors coming for purposes other than pure tourism, as per the government definition, make misstatements to get tourist entry permits. Incidentally, Thailand, Malaysia, Singapore and the Philippines allow any visitor to enter without visa, for a stipulated period.

The proposal for abolishing tourist permits came up for discussion at the last meeting of the facilitation committee of airlines held in Trivandrum a few days ago. The airlines opposed the proposal.

The government move has caused consternation in tourist and aviation circles. Officials of airlines and travel agencies described it as a retrograde step, which would adversely affect tourism prospects. Of late, the government has been making special efforts to boost tourism, which earned the country about Rs. 700 crores foreign exchange last year. The earnings can increase manifold if proper incentives are given in the next seven to eight years. The government proposes colossal investment in building tourist infrastructure such as hotels, airports and airlines fleets.

Abolition of tourist permits, experts fear, will have an adverse effect on India's prospects as a conference and convention destination. They concede that the government should have reciprocal arrangements or take any other step to safeguard internal security. What worries them most is that most Indian diplomatic missions abroad are ill-equipped to handle a large number of visa applications. Some nine-lakh tourists are expected in 1982-83 and about 3.5 million by 1990.

Even when the number of tourists to India was only two lakhs to three lakhs a year, tourist groups sometimes had to wait for weeks to get visas. They feel that in view of the financial stringency, the external affairs ministry will not recruit adequate staff to handle visas quickly.

At present Indian tourists visiting Scandinavian countries, the U.K., Cyprus, Malta, Mauritius, Seychelles, Kenya, Tanzania, Zambia, Harare and Thailand, Malaysia, Singapore, Hong Kong and the Philippines do not require visas.

ARAB FINANCIERS KEEN ON INVESTMENT IN INDIA

Madras THE HINDU in English 1 May 82 p 9

[Article by G. K. Reddy]

[Text]

NEW DELHI, April 30.

A good many Arab financiers with plenty of petro-dollars are reported to be very keen on making big investments in India in the wake of the country's improving relationship with the oil-rich Gulf States, if the Government is prepared to offer the necessary incentives to them.

After the Prime Minister's visits to Saudi Arabia, the United Arab Emirates and Kuwait, some of them feel adequately encouraged to come forward with offers of equity participation and long-term loans both in public and private sector enterprises.

But the Government's policy is to encourage them to put their money only in approved industries and financial institutions, without getting involved with private entrepreneurs who might resort to various malpractices to make unauthorised use of such funds for personal benefit.

The necessary rules will be framed soon to regulate the inflow utilisation and repatriation of petro-dollar loans and investments.

The major public sector enterprises and established industrial houses will have no difficulty in obtaining permission for financial participation, so long as the individuals and institutions offering to invest or loan large sums are parties with reasonably well established reputations. The Government will also scrutinise the terms before granting clearance to ensure that no big cuts are made under the guise of commissions.

The Reserve Bank normally allows Indian enterprises to pay commission of up to five per cent on foreign contracts depending on countries where it is customary to make such payments to middlemen. But it does not generally approve of any comparable cuts on foreign loans obtained by Indian concerns or financial institutions, since the commission percentages in such cases are determined by the prevailing rates in international money markets.

For political reasons, too, India does not want to throw its doors open to a flood of Arab money since some of it could get

into undesirable hands even without a technical violation of Indian foreign exchange regulations. In a small way the decision to allow freely foreign donations of funds for educational or religious institutions has been misused by some unscrupulous persons for political purposes, compelling the Government to plug the loopholes in the existing laws to keep a closer eye on such remittances.

After the U.S. froze the Iranian assets in the wake of the hostages crisis in November 1979, the Arab countries stopped putting all their surplus petro-dollars in American banks and diverting a substantial part of their cash balances to western Europe.

But the subsequent glut compelled the European banks to reduce progressively the interest rates on such deposits. The oil-rich Arabs are now looking for third world countries like India with a well established reputation for political probity and financial stability to make long-term investments.

The intention is to make a modest beginning by attracting Arab capital participation in specific projects with assured returns to pave the way for a progressive increase of such investments, instead of allowing private business houses to borrow money freely by paying heavy commission which could easily lead to various malpractices.

Despite high interest rates, there are plenty of petro-dollars available from European banks on long-term loans. The foreign exchange position of India is quite comfortable these days despite the adverse balance of payments.

The IMF team now in India is reported to be reasonably satisfied with the performance of the Indian economy and the Government is not anticipating any difficulty in getting the second tranche of the loan approved in due course.

In this situation it is not without a tinge of irony that the Arab financiers, not knowing what to do with their accumulated petro-dollars, have started chasing potential borrowers after shedding their patronising attitudes. And it is not bad for a big borrower like India to feel somewhat superior in choosing its creditors for a refreshing change.

COMMERCE MINISTER REPORTS TRADE GAP WORSENING

Calcutta THE STATESMAN in English 29 Apr 82 p 16

[Text]

NEW DELHI, April 28—The trade gap has worsened. The deficit in the first 10 months of 1981-82 is put provisionally at Rs 4,521 crores—even though exports increased by 13.9% and imports by 13.3% over the same period last year.

The deficit was more than that for the same period the previous year, when it was Rs 4,020 crores. However, it was claimed today that the position had improved because exports had picked up significantly, while imports had been contained and thus the rate of growth of the gap had fallen.

The claim was made by Mr Shivraj Patil, Minister of State for Commerce, at a meeting of the Parliament's consultative committee for his Ministry, where he said that exports between April 1981 and January 1982 were placed at Rs 5,964.90 crores, compared to Rs 5,235.31 in the same period the previous year.

Imports in April-January were estimated at Rs 10,486.02 crores compared to Rs 9,254.97 crores. Mainly because of a sizable increase in the value of oil imports and other essential items like fertilizers, edible oils and the like, the trade deficit has widened substantially particularly with western Europe, the USA and Asia.

During the first half of 1981-82, exports to east Europe and north America went up. There was also an increase in exports to west Europe and Asia, but the increase was not significant. On the basis of provisional data for April-September, 1981, against April-September, 1980, exports to north America increased by 29.8%, to east Europe by 42.3%, to the EEC by 9.4%, to ESCAP by 12.6% and to the rest of Asia, including West Asia, by 9.4%. There was, however, a decline in exports to Africa.

Among the major markets, ex-

ports to the USSR increased by 41.1% from Rs 487.43 crores in April-September, 1980, to Rs 687.98 crores in April-September, 1981, and that to the USA by 31.3% from Rs 314.77 crores to Rs 413.29 crores. Having declined in 1980-81, exports to the U.K. tended to show appreciable increase in the first half of 1981-82. The U.K.'s off-take increased by about 32% from Rs 160.04 crores in April-September, 1980, to Rs 243.69 crores in April-September, 1981. In other important EEC markets, like West Germany, the Netherlands and Italy, however, exports did not show any increase during April-September, 1981.

Exports that showed a significant increase were items like tobacco (61%), cashew kernels (20%), processed food (31%), marine products (27%), rice (109%), iron ore (20%), mica processed (26%), leather manufactures (23%), gems and jewellery (24%), basic chemicals, pharmaceutical and cosmetics (37%), engineering goods (23%), garments (38%), natural silk textiles (30%) and wool and woollen manufactures (93%).

Exports that suffered a setback were in items like coffee (25%), spices (23%), jute manufactures (18%), and cotton fabrics etc (8%). The decline in the unit value realization for most of these products has been one of the important factors for their unsatisfactory performance.

Mr Patil said several measures had been taken by the Government to promote exports. These include removal of licensing constraints on export production, setting up of 100% export-oriented units, establishment of the Exim Bank, simplification and streamlining of procedures and extension of certain fiscal concessions on exports.

INDUSTRIAL GROWTH RATE ESTIMATED AT 13.7 PERCENT

New Delhi PATRIOT in English 26 Apr 82 p 5

[Text]

Industry Minister N D Tiwari announced that growth rate in industrial infrastructure during 1981-82 was estimated to be at 13.7 per cent.

Addressing the consultative committee meeting of his Ministry, he said that this was as a result of regular monitoring by a Cabinet committee.

He said that increase in key sectors like electricity generation, coal, crude petroleum, petroleum refinery products, saleable steel and cement was 10.1 per cent, 9.6 per cent, 34.5 per cent, 16.7 per cent, 14 per cent and 12.6 per cent respectively.

Mr Tiwari also announced that the Government was evolving a system in which village industries would be made a structural part of the industrial framework with necessary institutional and functional linkages.

Mr Tiwari said necessary link-

ages would be provided for village industries with district industry centres, Integrated Rural Development and National Rural Employment Programmes.

While the Khadi and Village Industries Commission and other organisations were doing splendid work in the village industry sector, Government's principal task was to bring about structural cohesion in the village industries set up. It was desirable not to have proliferation of parallel efforts.

Mr Tiwari said that public sector undertakings under the Department of Industrial Development registered a 47 per cent growth in production in 1981-82 while units under the heavy industry Department showed a growth of 23 per cent.

The overall losses in these undertakings were expected to come down from Rs 61.56 crores to Rs 38 crores.

CSO: 4220/7234

RAO REPORTS TO LOK SABHA ON INDIANS IN PAKISTAN JAILS

Calcutta THE STATESMAN in English 30 Apr 82 pp 1, 9

[Text] NEW DELHI, April 29.--The External Affairs Minister, Mr P. V. Narasimha Rao, said in the Lok Sabha today that it was true that 10 Indians had been under detention in Pakistan for over eight years, and that owing to the treatment they had received six of them had lost their mental balance and "some" their eyesight.

He told the House also that the 10 Indians were initially detained for a period of three months. The charge was that they had entered Pakistan without valid travel documents.

Mr Rao admitted also that the prisoners were not allowed to communicate with anybody. "This is a case of excessive excess", he added.

Mr Rao, who was answering supplementaries to a question on the subject put by Mr Madhu Dandavate (JS), said the matter had come to the Government's notice in mid-March this year. A protest was lodged with the Pakistan Government on March 17 and the latter had given the assurance that all relevant information would be collected and supplied soon. On April 25 the matter was taken up again with the Pakistan authorities since no information had been forthcoming. "We have impressed upon them the need for urgent action, and we have demanded that the 10 persons be repatriated immediately", Mr Rao said.

He added that the Pakistani authorities had finally agreed to consular access being made available on a reciprocal basis. When it became a reality, things were bound to improve regarding tracking and repatriating Indians in Pakistani jails.

Mr Rao told one member that about 300 Indians were similarly detained in Pakistan. "We have taken up the question of these persons whenever we met the Pakistani side for discussions", he said.

Mr Rao's initial prepared reply did not provide the full details of the grim condition of the 10 detained Indians. It indeed seemed evasive. It was only the specific and firm supplementaries put by Mr Dandavate that extracted the full horror of the matter.

Mr Madhu Dandavate's question was (A) Whether the Government's attention had been drawn to a news report captioned 10 Indians Tortured In Pak Jail which appeared in a Delhi daily on April 5, (B) What action had the Government taken to safeguard the lives of those in Pakistan jails, (C) Whether it was also a fact that those Indians had lost their eyesight, (D) If so, the action contemplated by the Government in this matter.

The External Affairs Minister's answers were:

(A): Yes, sir.

(B), (C) and (D): As soon as the matter came to our notice, our Embassy in Islamabad was instructed to take it up with the Government of Pakistan. Our Embassy immediately took up the matter with the Pakistan Foreign Office and protested against the reported harsh conditions of detention and urged immediate arrangements for their repatriation to India.

The Pakistan Foreign Office has said that the matter had been referred to the concerned authorities. The Pakistan Government's reply was awaited.

Mr Dandavate also made the point, in his supplementaries, that it was the prisoners' appeal to Amnesty International that had brought to light the whole matter. He also charged that the prisoners had turned to that organization only because the Government of India had done nothing to help them.

The Minister told him that they had been able to approach Amnesty International because they had engaged a lawyer who had taken recourse to that step. "And not because we did not do anything", the Minister said.

He added: "The moment we came to know of it, we swung into action".

Mr Indrajit Gupta (CPI) asked how the Government had come to know of the matter.

Mr Rao told him that the matter was brought to the Government's attention by our Consul-General in Karachi. And he, in turn, had got the information from a person belonging to "an organization in Karachi". The Minister did not specify which organization.

CR : 4220/7240

GANDHI WRITES INTRODUCTION TO BOOK ON INDIA

Mumbai THE TIMES OF INDIA in English 3 May 82 p 9

[A-81]

NEW DELHI, May 2 (PTI).

The Prime Minister, Mrs. Indira Gandhi, has said that India's endeavour is to "fuse the power of science with the wisdom of old insights".

In her introduction to "The Indian Experience," a volume published for the Festival of India by "Media Transasia", the Prime Minister said the country still held within itself all the old ideas, the old "racial" memories and many stages of development.

"The Air-India jet and the bullock-cart co-exist as do top-level atomic or other scientists with primitive communities," she said.

Mrs. Gandhi said, "Time and again we have attempted and often attained the seemingly impossible." Independence for 400 million people without violence or hatred, planned development in a democratic set-up, self-sufficiency in cereals for a population that had grown to 683 million and impressive gains in industry and science were some of the examples she cited to drive home her assertion.

"Of all the myriad questions we ask ourselves, the most fascinating and challenging is whether, in the relentless march towards progress, we can sustain the best of our ancient tradition, keep our closeness to nature, the spontaneity and Joie de vivre of our tribals, the instinctive feel for colour and line of our folk artists, the skill of our artisans and more particularly, our perception of tolerance and compassion, all of which have been so integral a part of our cultural and spiritual experiences," she said.

Mrs. Gandhi observed that to know something about India, one must have an unbiased and clear vision. "India

is different and exasperating as it must seem, would like to remain so."

"There is hardly a thought in philosophy, science or the arts of which you will not find some grain in India", the Prime Minister said, and added that even the passing fashions or cults which rock the West from time to time were found in India somewhere some time, and were tolerated without the raising of an eyebrow or affecting others. "This is the secret of India, the acceptance of life in all its fullness, the good and the evil, and at the same time, trying to rise above it all."

HE FOUNDED HER PARTY

"The British connection influenced us deeply and in many ways," the Prime Minister acknowledged.

"British laws shaped our institutions, literature, and introduced an entirely new and exciting dimension to our thinking. The British men and women who became interested in various aspects of our lives, those who helped us to discover ourselves and those who became involved in causes dear to us, are too numerous to be named."

The Prime Minister also acknowledged the contributions made by Britons in the field of oriental studies, archaeology and literature.

"Almost a century ago, Allan Octavian Hume founded my political party, the Indian National Congress, which, as offspring often do, grew far beyond his imagination into the colossal mass movement which was to win us our independence," Mrs. Gandhi said.

The British liberal tradition stimulated our social reforms, fired our passion for freedom, justice and equality and fanned the urge to struggle against tremendous odds for our ideals."

INDIA

BRIEFS

NEW FOREIGN SECRETARY--NEW DELHI, May 1--Mr. M. K. Rasgotra today took over as the Foreign Secretary in succession to Mr. R. D. Sathe, who has retired. Mr. Rasgotra, till recently Ambassador to France, had been working as officer on special duty in the External Affairs Ministry for sometime. He has held several important assignments in the foreign service. [Madras THE HINDU in English 2 May 82 p 12]

APPROPRIATIONS BILL PASSED--NEW DELHI, May 3--Parliament gave its approval to the Appropriation Bill when the Rajya Sabha returned it today as passed by the Lok Sabha. Winding up the two-day debate on the Bill, the Minister of State for Finance, Mr. S. S. Sisodia said inflation in terms of the wholesale price index had been brought down to 0.5 per cent. The price situation was being constantly reviewed, he said. Stating that the balance of payments position continued to be difficult, Mr. Sisodia said every effort was being made to narrow down the trade gap. Special care had been taken to see that debt servicing did not exceed "prudent limits". The Minister said the income tax arrears had declined to Rs. 633 crores in the last financial year. His Ministry conducted 4,280 raids resulting in the seizure of assets worth Rs. 30 crores. Regarding the Sethusamudhram project in Tamil Nadu, the Minister said the Government was awaiting the expert committee report. [Madras THE HINDU in English 4 May 82 p 7]

AMBASSADOR TO AUSTRIA--NEW DELHI, May 3--Mr. S. K. Singh, Additional Secretary in the Ministry of External Affairs, has been appointed Ambassador to Austria. He succeeds Mr. K. L. Dalal, who is retiring. Mr. Rajendra Kumar Rai, Ambassador to Zaire, will be concurrently accredited to the Central African Republic, it was officially announced here today. [Madras THE HINDU in English 4 May 82 p 9]

SWAMY TO PRC--UDAIPUR, May 3 (PTI)--Dr Subramaniam Swamy, Janata Party leader, has said that he is visiting China again next month. Dr Swamy who visited China early last year told newsmen here yesterday that he would be visiting Beijing from 1 to 15 June. Appreciating the present government's gesture and cooperation in facilitating his visit to China he said his own party while in power put 'obstacles' in his way. [New Delhi PATRIOT in English 4 May 82 p 10]

USO: 4220/7256

ZIA SAYS NO USE OF POLICE FOR POLITICAL ENDS

Karachi BUSINESS RECORDER in English 19 May 82 p 6

Peshawar, May 18--The President, Gen. Mohammad Zia-ul-Haq has called upon all segments of society to respond to their religious and moral obligations, to build a strong edifice for establishment of an Islamic social order in the country.

In his address, marking the inauguration of the Nowshera Sheet Glass Factory, near Behangira this afternoon, the President emphasized that responsibility to banish crime from the society and to ensure supremacy of law devolved alike on the police and the society itself, as a matter of fact, he said, maintenance of peace was the fundamental obligation of a society.

A civilised society would never allow the elements capable of disturbing normalcy to nurture in its midst, he remarked.

The President was therefore, convinced that so long as the society did not respond to its moral obligations, to curb crime weed out antisocial elements no one could improve it.

The President also highlighted the duties of the police force and said that the nation had same expectations from the police as from the armed forces and exhorted the police officers to inculcate in them the spirit of honesty, dedication to the service of the people and to function in accordance with the Islamic values and principles.

"You must analyse your past and present so as to draw up a role befitting a Muslim nation like Pakistan for the future," he said.

The President noted that the police had remained target of genuine or unwarranted criticism, even from the pre-independence days, the foreign rulers had used the police force to perpetuate themselves.

He said, it was ironical that certain governments even after the creation of Pakistan had sought to use police force for the jobs, which were not within the purview of its duties, which brought bad name to it.

With this background that the present government had decided after assuming power not to use the police force for political purposes,

"It is a matter of satisfaction that we have upheld this decision," he said.

The President added that the Government had also taken certain tangible step to tone up its working, with a view to making it viable in the discharge of its moral and national obligations.

The President, however, said that the present government was keenly interested to promote the welfare of the police force. "We have examined reports of various commissions constituted in the past with a view to suggesting ways and measures for toning up the force in the country" he said adding "some of the recommendations made in such commissions are already under implementation, while for some others, there is room for implementation."

He said that the present government attached due importance to the need for improving the working of the police force. It also wished to take all possible steps, within the ambit of national resources, to ensure greater welfare of the police pensioners and their families. With this end in view, quite a number of measures had already been taken, he added.

Federal Minister, Mahmood Haroon, and Mir Zafar Jamali, besides provincial ministers were present at the inaugural function.

The acting governor Lt-Gen C.A. Majeed accompanied the President to the factory for inauguration.--APP

CSO: 4.20/652

U.S. INTERPRETATION OF PACTS WITH PAKISTAN CRITICIZED

Lahore CHATAN in Urdu 1 Mar 82 p 23-24

[Article by Rashid Chowdhry: "Can the United States Be Trusted Even After These Clarifications?"]

[Text] We have before us the interview of Mr Ronald I. Spiers, the U.S. Ambassador in Pakistan which appeared in the weekly MAG. We are indebted to our valuable friend, the United States, for at last opening our eyes. We suffered from misunderstandings arising from treaties signed from 1954 to date. We had come to believe that in the event of a direct or an indirect Russian intervention, and our "trustworthy and powerful friend" would come forward and fight with us shoulder-to-shoulder to deal with aggression. Needless to say, the basis for such a misunderstanding was the most recent military treaty and the assurances given by the present U.S. Government. And it was on the basis of these pledges of friendship and loyalty that we had laid the foundation of our foreign policy. The most distressing part of the bargain in that while trusting pledges of moral and material support, we have created serious problems and now stand at the most critical point in our history, and the U.S. Government as usual has again abandoned us to our fate. But it is beneficial to note that our valuable friend's frankness comes at a time when we can consider it the writing on the wall and learn a lesson for the future.

Perhaps the most startling disclosures in Mr Spiers' interview were his statements on Pak-Indian relations and the expected war between the two countries. The best thing would be to reproduce the relevant portion of Mr Spiers' interview. MAG's correspondent asked him this question:

[Question] Your Excellency, even though relations between the United States and Pakistan are very old, the people of Pakistan feel that despite numerous treaties the United States has not provided Pakistan effective assistance to deal with external aggression. Now that the bilateral relations are being revitalized, what in your opinion will be the nature and limit of the pledges?

[Answer] I know that the people of Pakistan feel that American aid in 1965 and 1971 did not come up to their expectations. The one and only aim of our aid is to help Pakistan in the event of a threat from the Soviet Union. We will not be a party to bilateral problems and disputes arising between India and Pakistan. As a matter of fact, this constitutes a difference of opinion. I also know that there are people in Pakistan who look upon India as a

Russian proxy. This is a product of Pakistan's imagination. Its friends have not always agreed. When I was ambassador to Turkey I expressed the view that all of the members of CENTO did not share Pakistan's point of view.

[Question] Despite the treaty of friendship between India and Russia?

[Answer] That is not a military alliance; it is only a friendship treaty.

[Question] But as a result of this treaty of friendship, some unpleasant events occurred in 1971.

[Answer] What happened?

[Question] Aggression against Pakistan.

[Answer] Look, what interests us most is to prevent the spread of Russian influence. We do not wish to get involved in bilateral differences between Pakistan and India. Our aid to Pakistan is aimed at making Pakistan capable of dealing with threats, pressure and aggression from the Soviet Union. These do not include dangers, whether real or imaginary, from India. Some Pakistanis may be disappointed with this statement, but this is not only our idea; the whole Western world looks at Indo-Pak disputes as bilateral issues.

We would like to give Pakistan military aid now. But this does not mean that this aid can be used against India. This capability is meant for use specifically against Russian pressure only.

[Question] This means that the United States has announced that its joint defense pacts are for use against communist aggression only. The fact is that Pakistan had to face aggression from Soviet allies. Under such conditions, how can United States put its treaties into practice? In a number of U.S.-Pak treaties, Pakistan was assured full aid in the event of indirect aggression as well.

[Question] I don't say that India cannot commit aggression against Pakistan at the instigation of the Soviet Union. But at the same time, I do not think that India has been acting under the influence of Russia. I feel that India and Pakistan have their own bilateral issues, and that it is in the best interest of the United States, Pakistan and India to resolve these issues. The disputes between Pakistan and India are different from those of Afghanistan where Russian soldiers are present. It has become a habit with Pakistanis to come to the conclusion that whatever India does, it does either under Russian influence or in conspiracy with Russia. But we do not believe that this is the case.

The explanations put forth by the U.S. ambassador, Mr Spiers, make it clear that according to him the only aggression committed against Pakistan that deserves attention and aid is direct military intervention committed specifically by the Soviet Union. If it is India that is responsible for the aggression, then the United States will not help Pakistan in any way, even though Russia may have been behind it. Rather, judging from what became of former Pak-U.S. pacts, in wars between Pakistan and India, we again foresee

that the United States will once again block the supply of arms to both the countries. India will still be receiving arms from Russia and, by receiving sophisticated arms from a superpower, will seriously threaten our survival and security. And Pakistan, depending on defense pacts and assurances of the U.S. Government, would once again (God forbid!) be faced with problems similar to those encountered in 1965 and 1971.

As far as direct Soviet aggression is concerned, we would like to point out that great powers seldom intervene directly. Iran could be cited as an example. From World War II to date the late Shah of Iran was a very active friend of the United States and held a position of strategic importance in the region's military and political affairs. In other words, Iran had the status of a policeman safeguarding U.S. interests in the Middle East. Besides this, it had installed on the Russian border the most sophisticated equipment, including intelligence surveillance apparatus. But the Soviet Union did not intervene directly even once during the 40 year Iran-U.S. honeymoon. To punish Pakistan for its just and legal stand against Afghanistan, it will use one of its supporters. Looking at the U.S. ambassador's statement in this perspective, it could be said to be nothing but an abrogation of U.S. military pacts.

Besides India, we are threatened with aggression from the communist regime in Afghanistan. But according to Mr Spiers, this too will be taken as a bilateral issue. Before referring to the U.S. ambassador's statement, we think it necessary to clarify this point. The presence of Russian soldiers in Afghanistan cannot be taken to mean that the same drama will be repeated in Pakistan. The reason for stating this is obvious. During Sardar Mohammad Daud's regime, Afghanistan was clearly inclined towards the Soviet Union. It was the result of this political and ideological influence that communist journalist Noor Mohammad Taraki took control in Afghanistan by way of military revolution. How popular the communist regime was among the masses is another matter. Nevertheless, the entry of Russian soldiers into Afghanistan became possible only at the invitation of this communist government.

It is evident that no such possibilities exist in Pakistan, and therefore to think that the Soviet Union will invade Pakistan is beyond comprehension; nothing could be further from the truth. Even if the supposed Russian invasions were true, the question would remain whether the United States would enable a Pakistan militarily strong enough to confront a big power on its own. President Zia-ul-Haq and former foreign minister Agha Shahi have already given vent to such feelings. They have stated that if the Soviet Union were to commit aggression, Pakistan does not have the technology and modern equipment to be able to contain a superpower within its borders. Our country has clearly advised its friends, with the United States topping the list, that Pakistan is indirectly faced with the threat of aggression, which could come from India and Afghanistan. If the U.S.-Pakistan common defense pacts are not reinforced aiding Pakistan against threats from different directions, which could undoubtedly be categorized as indirect aggression, then we will consider these pacts null and void. Let us now assess the U.S. ambassador's statement on Afghanistan. When he was asked:

[Question] Your Excellency, some people, while discussing U.S.-Pak common defense pacts, refer to recent border violations perpetrated by Afghanistan. The United States did not protest against this country even once, whereas the United States reacted immediately against the imposition of martial law in Poland, a member of the Warsaw Pact, and declared sanctions against the Soviet Union. Will you enlighten us on this aspect of U.S. policy?

[Answer] In my opinion, territorial violations have been committed not by Russian but by Afghan soldiers.

This reply clearly and unambiguously means that in the future, at any time, Afghanistan would be assumed to be a party to bilateral relations between itself and Pakistan. But at this time we would like to put another question to the U.S. authorities. According to U.S. media, with the exception of a few cities, the whole of Afghanistan is controlled by the Afghan Mujahedin, that in the first place Afghan soldiers do not exist and even if a few Afghan soldiers are there, they are confined within their barracks in the few cities still under Afghan Government control. They come out very cautiously during the daytime to perform their unfavorable activities. If the assessment of the U.S. media is correct, how can the violation of Pakistan's air space and bombardment of unarmed civilians be explained? If Afghanistan's disorganized, destitute and routed army commits aggression against Pakistan, which power would supply arms and ammunitions to them? According to the U.S. point of view, this would be tantamount to an accusation against the Soviet Union, because the invading forces would not be Afghan but Soviet. According to U.S. intelligence and media reports, the Russian soldiers are in full control in Afghanistan. It is possible that one part of world opinion, not all, may accept the U.S. ambassador's statement with respect to India as correct, that that country acts independently, that it has no common defense pact with anyone, only a treaty of friendship under the terms of which Russia will be placing at the service of the Indian people different kinds of toys manufactured in its factories. But no impartial observer would concede the U.S. point of view on Afghanistan. It can leave only one impression--that the United States is not being sincere with an old friend; rather, it has negative designs against it. All the same, we are grateful to the U.S. Government, and with its frankness it has helped us leave an imaginary world behind.

011
006 203/112

TERRORIST MURDER OF POLITICAL LEADERS AIMS AT DESTROYING PAKISTAN

Lahore CHATAN in Urdu 15 Mar 82 p 14

[Article: "Current Situation"]

It is unanimously agreed that the late Arbab Sikander Khan Khalil had a very decent character and was a great leader of the nation and the country. The savage murder of such a patriotic person is a disgrace to our national history. During the past week, there was various speculation about the motives behind his murder. Most likely, the main reason for his murder was some personal or family enmity. Khan Abdul Wali Khan's viewpoint, however, is indeed astonishing--that the future will reveal the truth of Sikandar Khan Khalil's murder as being political. Perhaps in the present circumstances, Wali Khan is unable to comment further on this incident.

If the possibility of this being a political murder is accepted, it can lead to a very precarious situation. People go so far as to say the Chaudhri Zahur Ullahi's murder in Punjab and Arbab Sikandar Khan Khalil's murder in the Frontier Province are linked. The hidden motive behind Chaudhri Zahur Ullahi's murder has come to light. The same terrorist organization whose leader once clearly said that he would totally demolish Pakistan through his notorious activities is connected with it. In the beginning, this organization perpetrated such incidents even though they resulted in failure. Nevertheless, they do stand as proof of what the intentions of the organization are.

Arbab Sikandar Khan Khalil, too, was murdered by that same terrorist organization or some of its accomplices, the entire nation in general and the present government in particular should be concerned. Such openly hostile activities can bring grave destruction to our beloved country. The present government began to imprison persons connected with terrorist organizations through their disruption. After the imprisonment of such a huge number of narrative elements, however, the disruptions have not come to an end. That means there are still numerous individuals connected with these organizations who have not been identified by our present government.

Under these circumstances, therefore, it is essential to weigh this matter with a sense of responsibility and take some effective measures. If we are not vigilant, Pakistan is not only surrounded by enemies but the enemies are within the country as well. They wish to destroy this country to achieve their evil

It is also clear that in every country, such elements are usually raised by some foreign country. There is already evidence of the fact that many people, after being given proper terrorist training in Afghanistan, are sent to Pakistan for disruptive activities.

If the government fails to bring such disruptions under control, the lives of many leaders will be in danger every minute. Some of our political leaders are a very precious asset to our country and nation. If not today then tomorrow, based on the supreme qualities of their heart and soul, they will have to perform the very essential role of building this nation and country. Arabab Sikandar Khan Khalil was such a leader. If the terrorists have in fact decided to choose and murder at regular intervals all the patriotic leaders, it means that they wish to stifle feelings of patriotism. It remains to be seen what measures the nation and the government will take to safeguard such sentiments.

9/79

CSO: 4203/109

PIR PAGARA MUSLIM LEAGUE OFFICIAL COMMENTS ON POLITICAL SITUATION

Lahore CHATAN in Urdu 15 Mar 82 pp 16-23

[Interview with S.M. Zafar, secretary general of the Pir Pagara Muslim League, by Mohammad Saeed Azhar: "Unnecessary Delay in Elections Will Bring Public Reaction; Punishing Entire Nation for Individual Sins Is Unreasonable; In Islam, Negation of Democracy Is Synonymous With Injustice to Islam"--date and place not specified]

[Excerpts] Sayyed Mohammad Zafar is among the distinguished lawyers of the country. Besides being an elected member of the bar council, he has also been president of the High Court Bar Association in Lahore and the Pakistan Bar Association. From 1965 to 1969, he served in the late president Ayub Khan's cabinet as minister of law and parliamentary affairs. During that period, he presented the case of Pakistan and Kashmir in the Security Council and secured the basic and significant resolution of 22 September 1965. In 1969, he was elected vice president of the commonwealth parliamentary organization. In April 1977, during the Nizam-e-Mustafa campaign, he was imprisoned for a month in the Kot Lakhpat jail and was released by order of the Punjab High Court. After his release under the martial law regulations, he had to stay underground for 2 months because of another case against him. This matter came to an end when, on behalf of the Pakistan Muslim League, he participated in the final discussions between the government and the National Alliance. In 1979, S.M. Zafar was elected general secretary of the Pakistan Muslim League. Prior to the ban on political parties, he was also the chairman of the Muslim League's advisory committee. Sayyed Mohammad Zafar holds the view that the ideology of Pakistan cannot be accomplished until the public is freed from oppression, injustice and economic hardship. During the formation of the 1973 constitution, he was the constitutional advisor to the opposition party. In his opinion, unconditional approval of the 1973 constitution and elections on its basis are essential for the nation and country. S.M. Zafar actively participates in social affairs. Presently, besides being president of the Cultural Association of Professionals and chairman of the Basic Human Rights Organization, he is also a representative of the Human Rights Organization for Pakistanis abroad.

[Excerpts] An interview with Pakistan's quiet, handsome and intelligent politician.

[Question] Whenever there is a demand in our country for outlining a program for freedom of thought or any movement for human rights, the threat of Soviet influence comes up. Isn't the Soviet Union being overimposed on us?

[Answer] Such things are said by the people who have no confidence in the Pakistani nation. I am totally opposed to it. The Soviet Union or any other foreign country is not so much involved in Pakistan's politics that whenever a need to solve some problem is mentioned, the threat of the Soviet ghost is raised. Pakistan is the creation of the thoughts of people whose political insight and pious intentions are well acknowledged. Sir Sayyid Ahmad, Allama Iqbal and Quaid-e-Azam Mohammad Ali Jinnah had a deep insight into history and their analysis was totally correct. They outlined the structure of this country and completed it and the nation cooperated with them. Historic factors and the current situation testify to the fact that the Pakistani nation is endowed with extraordinary talent. Its passion for freedom and sentiments of patriotism are no less than any other nation. The amount of money remitted to Pakistan by Pakistanis residing abroad is clear proof of their love for their country and dear ones. They spend the least possible money on themselves in order to provide comfort to their own relatives and the country. All this is happening by itself. There is no legal requirement or greed behind it. In fact, people have formed the erroneous habit of doubting the patriotism of Pakistanis and talk about such things on this basis. I find no faults or evils in this nation in view of which it has become imperative to frighten it with the spectre of foreign countries. Social evils and corruption are a different matter and there are other methods of eradicating them. Nevertheless, the patriotism of a smuggler, hooligan, doctor, lawyer and politician should not be judged from his profession but from his love of country. People who commit sin or evil should be punished. It is quite wrong, however, to punish the entire nation for individual sins and declare that the people of the country are unpatriotic. We are afraid of China and we fear the Soviet Union. All these are indications of an inferiority complex. Just listen to the numerous talents of this country. This country's hockey, squash and cricket teams have won international fame and its pilots have gained worldwide acclaim. Pakistani pilots displayed high standards and skill piloting F-16's. Pakistani doctors are highly respected in America. In many places, when a person claims to be a doctor, he is specifically asked whether he is a Pakistani. Nobody ever asks him whether he is an Indian. There are Pakistani officers in all the topmost banks of the world, even though the Indians say that the Muslims are unaware of the use of mathematics. Pakistani diplomats in the United Nations are as capable as their counterparts from the superpowers. After World War II, the Pakistani army excelled in the skills of war. That is why India keeps on crying about the danger from Pakistan. In my opinion, it is a great crime to impose the terror of foreign countries on such an amazing, courageous and skillful nation.

[Question] A few months ago, a special American delegation toured Pakistan. The purpose of this visit was to examine the attitude of the Pakistanis toward the proposed American aid. According to my information, the delegation met with you, too. What was the nature of your dialogue with them?

[Answer] Your information is correct. I met the delegation on the past eid-ul-Adha day at my residence. Mian Mahmud Ali Qasuri, Chaudhri Itazat Ahsan, Mirza Asif Ali, Khurshid Mahmud Qasuri and other friends participated in the meeting. The delegation consisted of three persons, Stephen D. Nelson, George Byrd and Margaret Goodman.

Just as you mentioned in your question, this committee wanted to get the Pakistanis' viewpoint regarding American aid. Instead of viewpoint, the word "reaction" would be more appropriate. So, I expressed explicitly my feelings on this matter to them. The first thing that my friends and I said to the American committee concerned U.S. credibility. We said that America has lost its credibility and people are not prepared to trust the many American promises and policies. Pakistan itself has had bitter experiences, which is why this time we wish to take every step with great caution. My personal viewpoint was that being an independent state, Pakistan had the right to obtain military weapons for its defense from any country. Taking the example of China, I said that if due to certain changes in the present condition, America has decided to promote relations with Pakistan, Pakistan, too, as an independent state, has full right to establish relations with America on the basis of particular requirements.

[Question] Presently the country is being run under the civil, martial and religious, i.e., Shariah, laws. With reference to these three laws, would you like to comment on the social, legal and economic impact on society?

[Answer] Dividing these three laws under different headings, when you inquire about their impact on the country's mood you are in fact asking how these three different structures are being enforced simultaneously. Since usually only one system is practiced. The enforcement of three different systems of law is similar to an acrobat walking on three ropes. It is said that martial law is being enforced temporarily. Its enforcement and presence is essential for the eradication of certain evils. There are military courts operating under this system. The mode and method of justice of these courts is formulated based on the environment of quick and summary decisions on a battlefield. The second system is the old law that was gradually imposed by the British Government. The country's lawyers, judiciary and civil classes have been accustomed to and familiar with this law for 200 years. These laws are similar to those of Western countries and provide a system of democracy. The third system is now being enforced as an experiment. It is a new system in the name of religious laws. So far, an effort has not been made to enforce this law by incorporating it with the old system. The current decisions on the cases filed under religious law are still being made by some old-time trained judges and magistrates. Simultaneously, the court of appeals for these cases is still being held in the high court and supreme court. Although it appears that this method will change very soon. In the future operation of religious courts, proper schools have been started in Lahore and Islamabad. The judges qualified from these schools will be known as "Qazi." This system will be enforced through them. The civil law, on the other hand, the lawyers are deeply concerned about whether the old law will be enforced in the third system or not and if it will, what will be the result. The current situation, therefore, remains mixed.

three laws. That is why it is a well-known fact today that a corrupt policeman demands a bribe keeping three different systems of law in mind and a corrupt investigating officer asks the accused under which law he wishes to have his case initiated and then demands a bribe according to the degree of that system.

In my opinion, this system should be enforced gradually, or rather most of the work should be entrusted to the Islamic Research Institute and the Federal Shariat (religious law) Bench. I feel that this is a system with ample room for derivation from religious law. If we enforce Islamic law after weighing the current systems, the country and the nation would benefit from it. If the current systems are ignored to enforce Islamic law or an emphasis is placed on its mechanical and nominal practice, it will be a challenge to Islam, too. If the enforcement of Islamic law does not eradicate evils from the society, not only will the new system fail but it will bring disgrace to the universality and eternity of Islam. The responsible people should not be anxious or too intense in their struggle for the enforcement of Islamic law. This system should be entrusted to Islamic jurists, scholars and intelligentsia. It should be made clear to the public that the Islamic system cannot be enforced by the sudden push of a button. It requires gradual stages of evolution, patience and time. These things should be said without fear or reservation. The foundation of society rests on law. The wrong foundation can lead to such complexities and complications that it becomes really difficult to escape them. In fact, the current civil law operating in the country also has certain defects that need to be rectified. If we can get assistance from religious law for the rectification and revision of those defects, the lawyers should give full support for the achievement of this objective. They themselves should offer to forward to the institutions concerned those revisions that are a prerequisite of the Islamic spirit of law, that is, quick and inexpensive justice for the people! There is scope in our present laws for reform.

[Question] There is a rumor that the recent facilities granted to Mrs Nusrat Bhutto to see her imprisoned daughter are the result of the efforts of some pressure group.

[Answer] I have no knowledge of it.

[Question] You had planned to write your memoirs. Have you commenced this work or not?

[Answer] Sir, there is not enough time. I am preoccupied with legal cases and political activities, in other words, "Neither is the hand on the reins, nor is the foot in the stirrup."

[Question] Recently, the leader of the defunct Jamaat-e-Islami, Mian Tufail Mohammad, announced that any sort of negative agitation shall be met with resistance. May I have your opinion about this?

[Answer] I have not seen this statement by the leader of the defunct Jamaat-e-Islami that if there is any negative movement, he would oppose it and his defunct party, too, would oppose it. The defunct Jamaat-e-Islami cooperated

with the other political parties to establish National Alliance. This party's workers and officials made sacrifices for this movement. We should not interpret their leader's statement separately from those incidents, since a conclusion can be drawn that now they have forsaken every kind of unity to adopt a goal all on their own. I have not yet concluded that Mian Sahib wishes to adopt any such path for his party. I await further statements of his in this regard. I shall review my information for drawing an analysis and only then will I be able to say something. For the time being, the conclusion that I draw from this statement is that the defunct party's leader wishes to say that in the future, their campaign of struggle should not only be negative but should result in the transfer of power and complete change. As happened earlier, the current martial law should not be followed by another one. In this regard, we all need to put our heads together. We will really have to adopt a mode of action whereby any campaign that is begun produces a result and no form of dictatorship ever returns. The point of resistance mentioned in his statement is questionable, however. I am sure that at some point in the future, he will either clarify or correct his statement. At least from the meetings and discussions I had with the defunct party's distinguished leader, Prof Ghafu Ahmed, I never found him opposed to democratic values. I cannot even conceive that any campaign started to strengthen democracy would be opposed or resisted by any political party. Right now, this statement by the defunct party's leader has indeed startled us.

[Question] There is a common perception in the country that the Pagara League is psychologically with the present government. How much truth is there in this perception?

[Answer] In light of the Muslim League Pagara Group's past, the idea that compared to other parties our party is in more of a mood to cooperate with the government is a contemplation that, based on the present evidence, will have to be refuted. There is a record of past decisions that definitely refutes this. For example, when the government decided to hold municipal elections, the Muslim League Pagara Group decided not to participate in those elections. After this came the question of the Federal Advisory Council. Not only did the Pagara League oppose this, but it relieved from their duties and membership those trusted and respected members who did not abide by this decision. Even now the formula presented by us is for the transfer of power. We have made it clear in this formula that any resolution aiming at the status quo will not be accepted by the Pagara League. As for the fact that the Muslim League's language is not forceful enough and does not present its stand in revolutionary words or terms, the reason is historic. We maintain a difference between the government and the country. While opposing the government, we try not to act against the country. Our example can be compared with a father whose only son has been kidnapped. The kidnapper demands ransom from the father. Instead of using revolutionary language or a stubborn attitude, the father agrees to the conditions so that at least his son is freed. This does not mean that the father is in concurrence with the kidnapper. The Muslim League's situation regarding the country is somewhat similar. At times, however, the Muslim League members do to to the extreme in profusion of love. They are not as firm as they should be. The Muslim League believes that without democracy and public opinion, it

will have no status and significance. You might call it a lesson learned from the past or name it a new contemplation or awakening. I am confident that the Muslim League is now on a path whereby any companion who falters will no longer ride with us.

[Question] Those people who disobeyed the decision of the high command to join the Federal Advisory Council, are they then "politically immoral?"

[Answer] I would not use these words; instead, I would say that they died a political death.

[Question] Every effort is being made for broader political unity in the country. The people say that your party is raising new points and conditions for this unity. Are you aware of this public view?

[Answer] The present era of political activity is being given extensive publicity. Its method of publicity has been such that people are laying diverse hopes on it. Unity is the need of the hour and is a prerequisite for political activity. The right method for this is that there should be unity first and then the declaration. The current announcements are connected only with the discussion of unity and its advent. No final formation of unity has yet emerged. Actually, the warm feelings of the public and the newspaper headlines have made the canvas of this information and discussion quite vast. Practically, we have just overcome the first stage. This stage was that the politicians divided into two categories known as the rightists and the leftists, or PNA and PPP, are now united. The second stage will also follow. The points and conditions mentioned by you are such that they should be finalized before reaching an agreement, so that there is distinct and unprejudiced unity. The present unity is still not an elective unity; rather, it is the beginning of a common endeavor to open the way for elections. I ask the Pakistani People not to be concerned about these declarations, our statements or other discussions. The Muslim League will play a democratic role only in this unity. It should also be borne in mind that the unity depends on the success of internal discussions. I am sure that you, too, are unaware of this internal matter.

"Sir, I am aware of it."

"I accept your answer as correct, but with a question mark."

[Question] In your opinion, how should we judge the school of thought that negates the right and the sacred institutions like constitution, parliament, elections, freedom of opinion and voting?

[Answer] Leaving aside personal matters, I would first of all discuss the country's politics. Politics has its own logic. There is no way to escape it. Public opinion has been the foundation of Pakistan's politics. Even now, this country's politics function around public opinion. People desire the practical interpretation of their opinion. In past years, many efforts have been made to ignore public opinion and the country has been facing its

reaction. From 1947 to 1958, the public was excluded from politics by restricting it to the legislative assembly. The reaction was public disregard and the imposing of martial law. After this, controlled democracy was a failure and the 1962 constitution was annulled. Elections were then held and the people were given an opportunity to express their opinion. In the refusal to accept the results of that election, however, one part of the country was lost. Then civil martial law proved unsuccessful. After this, the path to elections was reopened. During the 1977 elections, an effort was again made to disregard public opinion, which resulted in the initiation of a national campaign. Now again, there is a delay after the promise of elections. If they are delayed longer, there will again be a reaction. That is why I feel that first, the promise made to the nation, especially a promise that is in accordance with political principles, should be fulfilled as soon as possible. The pleasure of fulfilling one's duty lies in it. I wrote two books at different times to promote this viewpoint. The first is called "Who Is the Dictator?" and the second is "Islam, People and Parliament." The reason for writing the first book was that my analysis of the group then in power was that it was advancing toward fascism. In this book, I tried to portray the traits of a fascist country and explained that a country gains nothing from dictatorship. Instead, a persistent drama of hatred begins between the dictator and the nation, resulting in the dictator suffering humiliation, disgrace and death at the hands of the nation. The reason for writing the second book was that a new school of thought was being presented as if there was no room for democracy in Islam. In my opinion, this concept is utterly wrong and is an extreme injustice to Islam. Even the founders of the French revolution were believers in Islamic democracy. The people who tried to inspire a new spirit in Christianity, too, sought guidance from the democratic values of Islam. Rousseau and Martin Luther both benefitted from Islam. The views of the former brought about the French revolution and the latter's beliefs laid the foundation for the Protestant sect in Christianity. Thus, for the first time, reasoning and argumentation secured a place in Christianity.

In a modern country, there is a need for institutions in which public opinion is essential. Now I come to the point of freedom of speech and the press. Incidentally, I am also the chief patron of Pakistan's Human Rights Association. I have had the honor of offering some services in this capacity. Since I began to practice law, I have always taken free of charge any case in which a person has been imprisoned on the basis of freedom of opinion. I am grateful to God and proud to say that all such cases produced better results. I feel that in Pakistan, not only is the law for thinking and expressing one's opinion inadequate but the environment is also unsuitable. The grip of [martial] law is so severe and the powers of the judiciary have been reduced so much that my own book "Islam, People and Parliament," a book that was full of knowledge and research, had numerous pages deleted by the censors. I know that the censor was not so capable that I should accept any of his decisions, but merely to avoid delay I agreed to these deletions. In my opinion, there is a dire need for leniency in the laws connected with expression of opinion. In this regard, the limitation of the judiciary's powers is deeply regretted and its termination will finally prove harmful. The public's feelings will be curbed and its inner feelings will remain

bottled up. I have also mentioned the environment in which journalists themselves are affected. The journalists are not performing their role as they should on this frontier. Tolerance is an essential part of freedom of the press and speech. Listening to the speaker and answering his questions guarantee freedom of speech and the press. On the contrary, if you lead a procession soon after listening to or reading somebody's writing or opinion and start passing resolutions, the environment worsens. I cannot go into details at this time. However, I can definitely give examples of a reaction being organized against certain books, although I am fully aware of the fact that the organizers had never read those books and still they were a part of the protest.

[Passage censored]

[Question] Never mind, so what was your answer to these questions?

[Answer] I offered a formula that only 26 days were needed for the election proceedings. Under the law, the elections could be completed within that period. During those 26 days, the political parties should be allowed to present their manifesto on national television and radio. Meetings and processions should be banned so that there is no disturbance in the country. Every political party would be able to present its views without restriction and with equal treatment. Every party would get equal time and opportunity. The counter argument given was that the Pakistan National Alliance had disintegrated and the conditions of 5 July 1977 were nonexistent. In answer to this, I said that Gen Zia-ul-Haq's government appointed a commission for the elections, whose head was Mr Hamud-ur-Rahman. He prepared a report for the holding of elections based on the formula of proportional representation. In my opinion, this was the best solution for elections in the current political situation of Pakistan. With proportional representation, no single political party would gain a majority. What I mean to say is that if all these discussions are put together, our political formula is that the government of politicians should be responsible for only one task: immediate elections based on proportional representation!

A question was also raised that in the 1973 constitution no powers are granted to the president. I replied that if this is the only problem hindering elections, we suggest that the proportional powers granted to the president and the prime minister in the 1956 constitution be included as an amendment in the 1973 constitution. Where there have already been so many constitutional amendments, one more will make no difference. Our formula shows a preference for reality, mutual understanding, flexibility and the interest of the country. We realize that with the adoption of this formula, the Muslim League will have to face a big political contest, but it is not all that difficult. In the interest of the country and the nation, we regard it as an honor.

[Question] Was this the formula that, with reference to you, was much publicized in the KHALIJ TIMES?

[Answer] Yes, exactly the same. There was simply no reason for publicity.

9779

CSO: 4203/109

NEW BAR ASSOCIATION HEAD DISCUSSES 1973 CONSTITUTION, FOREIGN ISSUES

Lahore CHATAN in Urdu 1 Mar 82 pp 18-22

[Interview with Abid Hasan Manto, newly elected chairman of Lahore High Court Bar Association, by special correspondent; date and place not specified]

[Excerpts] [Question] During your term of office as chairman, besides problems relating to the legal profession, which other problem or problems will you give top priority?

[Answer] In my capacity as a representative of the bar association, the basic problem that I and my other friends will have to deal with at this time besides the special difficulties and issues facing the legal profession, is the problem of the promulgation of the constitution. We as lawyers and common citizens, we hold identical views that the 1973 constitution should be restored and under its auspices elections should be held for a representative government and martial law in the country should be ended. Nothing can be more disappointing to any conscientious and prudent citizen than the fact that our country is the victim of continuous constitutional and martial law crises. In any civilized country, the imposition of martial law is considered the most uncivilized action. As far as the 1973 constitution is concerned, there is a consensus that its restoration without change will guarantee the future of the country. Whatever amendments that may be considered necessary should be carried out by an elected government so as to give due consideration to the wishes and opinion of the people. During my term as chairman of the bar association, I will have to give top priority to this issue.

[Question] The idea that the presence of the military in this country is an undeniable fact and that the civilians will have to accept it has become fundamental. This will have to be accommodated in the constitution. This matter should also be discussed.

[Answer] As I have already stated, in this respect I consider the 1973 constitution fundamental, and in another respect, a sacred document. It is the product of the joint endeavors of the representatives of the people of Pakistan. Besides, as a person who believes in the principle that law and order is supreme, I cannot give the military or any other group a position above the constitution. Thus, I am not in favor of any amendment or change in the constitution aimed at giving the military or any other group a position equal to

or higher than that of an elected government. As a matter of fact, the countries of the world where the military have been given the status of a class in the administration and political affairs are the countries in which the political process and democratic values cannot flourish. I believe that the democratic processes should be strengthened because Pakistan's prosperity depends on these democratic processes. And for the same reason, the military or any other administrative unit should perform its special functions in accordance with the dictates of the constitution under democratic government.

[Question] Efforts to correct the national leadership and the state of affairs by removing the Bhutto family have been under way for some time now. Isn't this an unnatural way of doing things? Even though the party (i.e., PPP) is disorganized, people seem to remember a personality.

[Answer] As a political person and as an ordinary citizen, I hold distinct views on your question. I would not have any objection to expressing my views if you were not interviewing me in my capacity as the chairman of the bar association. Suffice it to say that if the democratic process is subjected to restriction then evils begin to appear.

[Question] What is your opinion about the way religious personalities and organizations try to bring about changes in Pakistan?

[Answer] The various religious political organizations in Pakistan do not have identical views; the only similarity discernible appears to be their desire to form an Islamic system of administration. But these organizations have fundamental differences on the practical aspects of such an administration as well as on the possible ways of realizing it. Besides, these religious political parties have been formed in such a way that the existing religious institutional differences among them have played an important role in their formation. This is why, despite cooperation on the basis of the Islamic system, there is no real political force binding them together. The fact is that the basic problem facing our country is the eradication of a system based on feudalism and capitalism, which, besides dividing humanity into different classes, has made vast multitudes victims of economic and social despotism. The economic system adopted by our ruling class right from the time of independence is a system influenced by Western capitalism and the old feudal system. As a result, ignorance, backwardness, fanaticism, narrow-mindedness and poverty have become a part of our lives. No political party has any chance of gaining popularity among the masses, nor can it develop a healthy politics, unless it suggests in clear and unambiguous terms how to rid the system of these curses. The same applies to religious political parties. Merely talking about the solution of problems based on religious considerations is of no use because, based on the same considerations, monarchies still exist in some Muslim countries even now when the 20th century is drawing to a close. In some of these countries, incidents have occurred in which monarchies have been overthrown. Unless the religious political parties face the present-day problems squarely and determine their course of action toward imperialism, capitalism and above all the right of private ownership, which is the root cause of all these abuses, they will remain involved in mere rhetoric and continue to be victims of narrow-minded factionalism.

[Question] The most important internal factor in current domestic politics is the MRD. Do you have any conception of the efforts, line of action and future of MRD?

[Answer] As you already know, MRD was formed as a result of about 2 years of continuous struggle. It is also a fact that soon after it came into existence, large-scale arrests of elements of the political parties constituting the MRD and other democratic organizations obstructed development of the political concept initiated by MRD. This political concept was actually based on the 1973 constitution and its goal was the election of a representative government and an end to martial law. In our country, most of the political parties are founded on political groupings and temporary movements; very few have solid, concrete foundations. This explains why, despite cooperation among political parties, the political process cannot be put into operation on a large scale. It is also true that due to censorship restrictions, MRD is unable to perform its activities to the fullest. I think the major achievement of MRD in the past year has been that opposing forces did not succeed in breaking the basic concept of unity that emerged as a result of the alliance formed by the various parties. At the moment, all the political parties throughout the country are currently engaged in efforts aimed at forming a broad-based alliance on the same basis of cooperation. I believe that a greater alliance is possible, because democratic ideals and the possibilities of success are brighter than ever before. From this point of view, the activities of the MRD in its first year have great significance. I believe that once a greater alliance comes into being, our country will once again have a constitution and an elected government, and martial law will be terminated.

[Question] Mian Tufail Mohammad recently said that in the event of negative public agitation, we will resist it. The basic idea underlying his suggestion was that this would pave the way for the arrival of Russian agents, Russian supporters or the Russians themselves. What is your reaction?

[Answer] My first reaction is that if there is any political party that can be called a party of negative political action, it is Mian Tufail Mohammad's party. Any political party that hesitates to confirm its popularity among the masses cannot be a positive party. As far as a negative movement is concerned, Mian Tufail Mohammad will have to clarify what he means by such a movement. Can a constitutional struggle for democracy be called a negative movement? Can a desire for the restoration of democracy be called a negative desire? Similarly, can the inclination to rid the country of martial law and lead the way toward decency and the establishment of a constitutional government be called a negative endeavor? As far as external dangers are concerned, it is interesting to note that many of our leaders hesitate to talk about the dangers engulfing Muslim countries, the Indian Ocean and the whole of Asia in the form of Western imperialistic intrigues for the past 34 years. As for danger from Russia, I do not see any indication warranting such concern. Some of the leading representatives of Pakistan's present government have on more than one occasion declared that Pakistan faces no danger from Russia. I believe that there is truth in these statements. Even Agha Shahi recently stated that Pakistan should improve its relations with both superpowers on an equal basis. This indicates that we did not do this in the past. Now that

geopolitical status has assumed new dimensions, Agha Shahi's statement becomes even more significant. If measures are taken to improve relations with Russia, then Mian Tufail Mohammad's views become null and void.

[Question] What is your reaction to the presence of Russians in Afghanistan?

[Answer] Intervention by the armed forces of any country in an independent country and their prolonged stay there are certainly a matter of great concern. All freedom-loving people hope that Russian forces will withdraw from Afghanistan. But this problem cannot be resolved merely by wishing. There is in Afghanistan at present a special form of government, which was established after the April 1978 revolution. This government has political treaties with the Soviet Union and, based on these treaties, has put forward its reasons for maintaining Russian forces in its country. I, or for that matter anyone else, cannot pass judgment on the internal administration in Afghanistan. As a Pakistani citizen, it is my sincere desire that the situation at Pakistan's border not become unusual. Just as efforts are being made today for friendship and cooperation with India, similarly, efforts could be started with the Government of Afghanistan. Our country cannot bear the burden of the presence on our soil of a great number of Afghan refugees, and their return to their country cannot be accomplished without holding talks with the Afghan Government. I feel that the Western powers do not want the Russian forces to be withdrawn from Afghanistan. Western countries, particularly the United States, have used this as an excuse to assemble a strong military force in the Middle East, Indian Ocean and Persian Gulf regions. For its security and internal social prosperity, Pakistan should adopt a position that serves to prevent the countries and the seas surrounding us from being turned into military bases.

9315

CSO: 4203/112

STRINGS ON IMP AID FOR THIRD WORLD CRITICIZED

Karachi BUSINESS RECORDER in English 19 May 82 p 2

[Editorial: "Before It Is Too Late"]

[Text]

The primary objective of the International Monetary Fund for which it was set up, is being negated with the passage of time. The financial assistance which it has to provide especially to the developing countries to overcome their balance of payments difficulties, has already been made quite tedious and expensive. And, according to the latest reports, the developing countries see further indications of tighter conditions the IMF is going to attach to the use of its assistance. These reports say that the IMF is increasingly setting pre-conditions before requests for financial assistance are submitted to its Executive Board and is more reluctant to renew extended borrowing arrangements if the first lending programme has not been carried out even where this was due to factors outside the control of the developing nations. Pakistan has been a victim of the preconditions which this institution has been

attaching to the assistance needed for overcoming balance of payments problems. Acting as the hatchetman of one of the Super-powers, it insisted on preconditions for extending the much needed assistance, which no self-respecting nation could accept. Actually, these were meant to oblige Pakistan to follow the dictates of that power in economic and political spheres and thereby compromise on its sovereignty and independence. The IMF took a jaundiced view of our economy and put us in a take-it-or-leave-it position. While refusing to accept these "dictates", we presented an objective view of our economic conditions prevailing and tried to impress upon the IMF authorities that the pre-conditions being attached were neither economically justifiable nor politically acceptable to us. It was when our exports were picking up and our economy was showing definite signs of recovery from the jolts it had receiv-

ed in the early seventies, that we were being pressed to devalue our rupee before our request could be considered. But in the meantime political situation in the region underwent a drastic change with the result that most of these preconditions were relaxed. We ultimately got commitment for record assistance from the IMF. So it was one political consideration giving way to another.

As far as the bilateral financial assistance is concerned, though professed to the contrary, it was never free from strings. In some cases it was understandable. But where the assistance comes from international financing agencies, it should and must have been free from strings and should have been extended purely on economic considerations. But with the passage of time, even such assistance was made conditional which aimed more at serving the interests of the developed nations than those of the poor countries. The proposals made by the developing countries for the relaxation of the conditions, reports indicate, would be rejected by the industrial countries. These proposals are to be considered at the meetings of the IMF interim Committee and joint IMF-

World Bank Development Committee beginning from today. Increase in strings on assistance from institutions like the IMF would compel the needy countries to resort to other sources to meet their requirements. These sources being costly would place heavy strains on the poor countries thereby keeping them in a perpetual state of poverty. The debts would go on mounting and the capacity to repay declining. Such a situation would in the long run adversely affect the developed countries as well.

The Third World countries have already turned to other sources to meet their immediate requirements. Foreign banks are forming consortia to come to the rescue of the poor countries. But these rescue operations are purely commercial in nature and, as such are putting heavy strains on the meagre resources of the borrowers. Besides, the efforts being made for a just distribution of global resources between the rich and the poor states, are also getting a setback which would result in sharp global polarisation. Such a state of affairs would endanger the world peace. It is time that the rich nation saw the writings on the wall and made amends before it was too late.

PAKISTAN-LIBYA TRADE GROWTH HURDLE DISCUSSED

Karachi BUSINESS RECORDER in English 18 May 82 p 8

[Text]

LAHORE, May 17: Pakistan ambassador to Libya, S.A. Moid has said that promotion of trade and economic relations with Libya will help further strengthening the already existing friendly ties between the two countries.

Moid was exchanging views with the President and the Members of the Executive Council of the Lahore Chambers of Commerce and Industries here today. Moid said that after a brief interruption the trade and economic relations between the two countries were again growing day by day.

He said that Libya imported all the items of necessity from other countries of the world. He said lack of direct shipping service between the two country was the greatest hurdle in the growth of trade relations between the two countries.

He said that with the opening of Suez Canal the ships carrying cargo to London and Liverpool could stop Tripoli on the way. He said that he would look into the

matter when he visited Karachi.

VERY SMALL

He said that industrial production in Libya was very small as compared to her requirements. Libya could import her requirements from Pakistan if Pakistan could provide her with quality products on competitive prices.

He assured the members of the Chamber that he would devote his full attention to the setting up of a trade exhibition centre in Libya to introduce Pakistani products there so that importers could contact exporters in Pakistan after inspecting the Pakistan products.

He said that Pakistan could export to Libya its textile, electronic and engineering products. Pakistan could export poultry and such like products also.

President of the Chamber, Abdul Qayum Bhatti assured the Ambassador their full cooperation in providing information required by Pakistan embassy in Libya for the promotion Pakistani products there.—PPI.

CSO: 4220/651

WORLD BANK TEAM APPRAISING LOAN

Karachi BUSINESS RECORDER in English 18 May 82 p 1

[Text]

A threeman appraisal mission from the Industry Department of the World Bank, led by Roger Heath, is currently visiting Pakistan.

The mission is appraising a project for an engineering loan for the hydrocracker scheme proposed by State Petroleum Refining and Petrochemical Corporation (PERAC).

The proposed loan would finance the preparatory engineering work for the hydrocracker project and would also assist PERAC and its associated companies, National Refinery Limited and ENAR Petrotech Services Limited in the preparation of energy saving and conservation measures.

The mission arrived in Pakistan on May 11, and is holding detailed discussions with officials of

various government ministries and PERAC. The discussions are expected to last until May 19.

The mission will then return to Washington to prepare the loan for final approval by the World Bank's Board of Directors. It is hoped that the engineering project would lead to subsequent consideration of World Bank financing, a portion of the cost of implementation of the main hydrocracker Project.

The hydrocracker project would be set up to increase country's dependence on local resources and to save valuable foreign exchange spent on importing petroleum products such as diesel oil, kerosene and HOB. says a press release issued in Karachi yesterday by PERAC.

CSO: 4220/651

U.S. BUSINESS LEADER ON JOINT VENTURES

Karachi BUSINESS RECORDER in English 18 May 82 p 8

[Text]

The leader of the visiting US AID private sector mobilizing team, Gregory Wolfe, has said that the American Government was very keen to see some big industrial joint ventures being set up in Pakistan in collaboration with Pakistani entrepreneurs.

According to a press release of the Institute of Foreign Relations, while speaking during a visit to the institute on Sunday Gregory Wolfe said that our two teams were visiting Pakistan to carry out some specific studies which will provide the basis for the forthcoming visit of the investors' mission in December this year.

He advised the Pakistani entrepreneurs to submit economic feasibility studies of their projects either to the US-Pakistan Economic Council or to the OPIC directly or through the Pakistan Government.

"We are confident that some Pakistani and American entrepreneurs will ultimately succeed in setting up joint ventures which

will result in greater goodwill and understanding between our two countries".

Earlier, Yusuf A. Ismail, Chairman, Institute of Foreign Relations, urged the US Government and the American entrepreneurs to assist Pakistan urgently in developing new energy resources through off-shore drilling for oil and through solar energy transmission.

Yusuf Ismail said that the industrial growth of Pakistan was being hampered, among other factors, by the acute shortage of water, power gas and telecommunication facilities.

"We have cheap manpower, adequate raw materials, big domestic market and a potential export market in the neighbouring countries" he added.

Safely, Ernest Pakland Jordan Hunt, members of the US AID team and Feroze Qamar, a former Economic Adviser, also spoke on the occasion.—APP.

CSO: 4220/651

CREDIT FACILITIES IN 10,000 VILLAGES

Karachi BUSINESS RECORDER in English 18 May 82 p 3

[Text]

ISLAMABAD, May 17: The Agricultural Development Bank of Pakistan today reached a landmark by covering 10,000 villages in different parts of the country with the induction of another 400 mobile credit officers to take the credit facilities and latest technology to the door step of the farmers.

Under the mobile credit scheme, instituted by the Bank, well over Rs 1,110 million have been distributed among the farmers to help mechanise and boost agricultural production. This year's target of loan under the scheme has been fixed at Rs 1500 million, which will be increased to Rs 2500 million next year. Under the scheme, every mobile credit officer is required to visit a village once in every two weeks instead of the villagers coming to the Bank from long distances.

The ADBP is contemplating covering more and more villages to finance the purchase of agricultural implements, in- and projects such as milk and dairy products; gold storages; fisheries and livestock.—PPI.

CSO: 4220/651

POWER SUPPLY PROGRESS IN AZAD KASHMIR

Karachi BUSINESS RECORDER in English 18 May 82 p 3

[Text]

HAVEJI (Azad Kashmir), May 17: Rs. 160 million have been spent on provision of electricity in Azad Kashmir during the past four years bringing electricity to 650 villages. The government is pushing ahead the electrification programme with the target of providing electricity to another 800 villages during the next two and a half years.

This was stated by the AJK president, Brig. Mohammad Haseet Khan, who is currently touring the Haveli Tehsil area. Addressing a chain of meetings the President said that the income from electricity alone had risen to 37 million rupees this year as against a bare income of Rs. 2.5 million in 1977.

He said that Azad Kashmir will catch up with the Pakistan per capita unit consumption in electricity by 1985 which gives an idea of overall development in the area undertaken by his government according to the instructions and priorities fixed by the President of Pakistan Gen. Mohammad Zia-ul-Haq.

Roshan Khan, district chairman and notable of the area also addressed the meeting expressing the resolve of the people of frustrate the machinations of disgruntled elements who already stood exposed before the people.

The President in his address said that great progress had been

made in all fields of life particularly education, communication and health which was a basic requirement of a people. He said that more than Rs. 11 crore were being spent on education during the current year and almost an equal amount was expended on improvement of communication system.

The most important headway was made in the direction of the Islamization of the society which had generated great enthusiasm among the people for the propagation and consolidation of Islamic values.

He called upon the councillors, Ulama and intellectuals to dedicate themselves to the cause of Islamization and serve the people with greater devotion. He reminded them that the salvation of the entire Ummah lay in strict adherence to the principle of Islam.

Earlier, in Rawalakot the President inaugurated power supply to Dhoke village. He told the people that in order further to preserve and extend forests a social forestry programme was also being undertaken by the government. The President also sanctioned a girls school building for the area.

The President was given a rousing reception by the people at various places where they had thronged to receive him.—AFP.

CSO: 4220/651

WORK UNDERWAY TO DEVELOP PIRKOH, DHODAK GAS

Karachi BUSINESS RECORDER in English 18 May 82 p 1

[Text]

Work is underway to develop two dormant fields, Pirkoh and Dhodak out of which the former is being developed for gas while the latter for condensate production, according to Pakistan Petroleum Limited sources. Pirkoh gas field, some 45 miles north of Sui Gas field, is being developed by the Oil and Gas Development Corporation (OGDC) with the assistance of the Asian Development Bank.

The field is proposed to be integrated with Sui Gas Transmission Company's transmission system by laying an 18 inch diameter transmission pipeline between Pirkoh and Sui. This integration project will be dovetailed into the Indus right bank pipeline (IRBP) compression project and will

make available additional gas supplies for the southern part of the country.

Initially 72 million cubic feet of gas will be available from Pirkoh in 1983.

The project for increasing the transmission capacity of the Sui-Karachi pipeline from the present 270 MMCFD to 397.5 MMCFD is also underway. This was being done by installing gas compressor stations on the mainline at Dadu and Shikarpur and a side stream booster compressor station at Sari/Handi along the route of the 18-inch diameter Indus right bank pipeline.

This project is also expected to be completed by the end of 1982 or early 1983.—APP.

CSO: 4220/651

AID FOR PUNJAB SMALL INDUSTRIES

Karachi BUSINESS RECORDER in English 18 May 82 p 8

[Text]

LAHORE, May 17: US Agency for International Development (AID) would provide substantial aid to Punjab Small Industries Corporation to mobilize private sector to invest in its ongoing projects at Jhelum, Gujranwala, Sialkot, D.G. Khan, Faisalabad and Bahawalpur.

This was stated by the Punjab Minister for Industries, Malik Allah Yar Khan, while presiding over a meeting of joint directors and deputy directors of Punjab Small Industries Corporation, Rawalpindi region at Jhelum the other day.

Malik Allah Yar Khan stated that while PSIC received only two per cent of the foreign loans, 85 per cent of the total labour force was engaged in small industries in the Punjab.

The Minister said that with a view to providing facilities to the intending industrialist to invest in new projects of PSIC, all the zonal joint directors, who been authorised to issue sanction of the projects after preparing the feasibility report within a month.

The Minister also disclosed that 500 applications had been received from Pakistanis working abroad to set up small industries in PSIC estates during the current year.—PPI.

CSO: 4220/651

DELINKING, INDUSTRIAL INVESTMENT PROBED

Karachi BUSINESS RECORDER in English 18 May 82 pp 2,4

[Article by Aftab Ahmed, chairman, All Pakistan Textile Mills Association: "Appreciation of Dollar & Industrial Investment"]

[Text]

The Delinking decision was clearly taken with only one major objective and that was to give a boost to our stagnant exports.

The dollar was appreciating in relation to all major currencies of the world and the buyers of our goods in Europe, the Far-East and almost everywhere had to pay more for our goods in their currencies since our rupee was linked with the dollar. This had been going on for quite some time and assumed alarming proportions by the end of 1980 when the dollar had appreciated by 30 to 35 per cent against the Pound Sterling, the D.M., French Franc, the Japanese Yen and the Hong-kong dollar. There was a crying need for correcting this situation. Dr. Schiller after careful study of our economic conditions had advocated Devaluation of the Pak Re. by 20 per cent two years ago. But being a rather sentimental people and Devaluation having acquired an unhappy connotation of defeat or surrender we decided not to adopt that straight forward course and wasted two valuable years before making up our mind to opt for Delinking from the dollar to correct the unhappy situation in our export sector.

There have been many comments and studies which have tried to assess the impact which the Delinking decision would

have on exports of various commodities as well as on how imports are likely to behave. But I have not come across any comment or study which has given any thought to what is going to happen to industrial investment as a result of Delinking. I have, therefore, been left on my own to do some thinking and formulate certain ideas. I am grateful for this opportunity of presenting these ideas to this August gathering where these could be tested against the touch-stone of valuable expertise and experience gathered here today.

Of course, two or three facts have been mentioned which I may with advantage repeat since there is no controversy regarding these. Firstly, it has been admitted that imports will become more expensive and as such the imports of Capital Goods will also be more expensive. This would add to the cost of setting up industry and, as such, industrial investment is likely to be discouraged. Secondly, it is also pointed out that the import of Industrial Raw Materials and spare parts would be costlier and contribute to the cost-push inflationary pressures in our already inflation-infested economy. This is also considered a factor which would retard industrial investment. At the same time it has been pointed out that the Servicing of the Debt-burden of foreign loans on the industry would increase as a result of the appreciation of the dollar. We are, it is argued, still suffering from the

hangover of the 1972-Devaluation which had resulted in a massive increase in the debt-burden on the industrial sector. This burden has been considered by many as the one single factor responsible for the continuing sickness of our industrial sector. These factors are generally considered as factors which would discourage industrial investment not only in the new ventures but also in the modernisation of the existing units.

These were our preliminary reactions to the decision of such far reaching import which was taken on 8 January '82 and we have yet to get over these in the light of experience. Let us see how far our preliminary reactions have been justified. It was concluded that after Delinking exports would receive a boost. It is over 4 months now and some indicators ports have been showing a downward trend. However, on a closer examination of specific commodities we notice definite trends towards an improvement in our exports both in quality and value. I shall take Cotton Yarn. Since the decision to Delink was delayed the stagnation in exports persisted too long. Owing to initial uncertainty which always accompanies such decision relating to currency there was a set back. But this has now been reversed and improvement is discernible. As far as prices are concerned the general impression is that as the dollar has appreciated to the extent of 15 to 18 per cent, the prices of Yarn too have depre-

ciated to the same extent. This is not so. The prices had registered a sharp decline initially. But they have now started recovering. Some of the good mills were exporting Yarn at 440 dollar per bale before the Delinking decision. After Delinking the prices declined to 380 dollar per bale. But now these have recovered to 425 dollar. I am referring to the prices of a particular mill only. But the indications are clear. Similarly in matters of Cotton Fabrics, the exports after Delinking have shown slight improvement in spite of the uncertainty which surrounds the economic scene for want of the consequential supporting measures. The improvement in our exports of Fabrics to USA has been marked. I cannot speak with confidence in respect of other important export commodities but I have reason to feel that these commodities too would soon notice improvement as in the textile sector. Take for instance Raw Cotton. A month after Delinking, say in February, we were all worried about the enormous quantity available as exportable surplus and the low level of worldwide prices. By April the situation had turned and the entire cotton crop of 4 million bales had disappeared and the domestic industry was complaining of being starved of supplies while the foreign competitors had been able to acquire our own cotton at prices which had made it easier for them to outbid us from the world market. Perhaps some people would attribute this to the Falkland Crisis. But it is not entirely due to this mini-war alone. Aggressive salesmanship, improved quality and competitive prices too have played their role and the appreciation of the dollar had made it all the more easier.

But to come to the subject proper of industrial investment I am again inclined to feel that those factors which I had earlier mentioned as responsible for discouraging industrial investment, may perhaps, turn out to be the blessing in disguise if only certain supporting consequential measures were taken by the Government. I had stated that the import of Capital Goods may be discouraged because of the appreciation of the dollar which would make them more expensive. But this may also give the necessary fillip to our Capital Goods industry and specially engineering

goods industry which in its potential is next only to the textile industry as a contributor to the foreign exchange earnings of the country. We have been depending too much on imported machinery and equipment and we have depended too long. We have now our own steel. We should, therefore, be prepared to make some sacrifice to sustain our own heavy industry instead of relying on imported equipment and machinery entirely.

Even then I am not prepared to consider that the appreciation of the dollar would discourage import of capital goods altogether. You would recall that the plant and machinery for textile mills in the sixties used to cost only Rs. 40 lac. After the Devaluation of the Pak. Rupee in 1972 the cost of the same machinery increased to Rs. 2-1/2 to 3 Crore. Yet the number of spindles increased from 2.5 Million to 4 Million. Now the cost of the same machinery would be Rs. 4 crore or even Rs. 5 crore. If the enterprise would yield profit, our entrepreneur would not hesitate to import it just because the dollar has appreciated. There are many more factors which govern industrial investment. While the negative factors are known to you and have been discussed on this platform many times, for a change, let me reiterate some positive factors.

The appreciation of the dollar should indeed lead to more profitable and economical investment in the industry. One of the factors responsible for import of unwanted and uneconomic machinery and equipment in the past was the incorrect pricing of the foreign exchange. The dollar was made available for setting up industries at Rs. 4/75 while its real value was reflected in the Bonus Voucher market where it was quoted at double the price on the exchange control. No wonder many uneconomic industrial plants were set-up without proper study of feasibility etc. Veritably the country had been turned into a graveyard of machinery. One has only to visit a sick industrial unit to see how valuable plant and machinery imported at tremendous cost in terms of foreign exchange are allowed to remain idle and rot. All appeals for a judicious and selective allocation of our scarce re-

sources of foreign exchange have fallen on deaf ears so far. Perhaps, the appreciation of the dollar may fulfil this need. You may call this a tyranny of the Circumstances and anyone who has had anything to do with the course of industrial development in this country will admit that only the Tyranny of Circumstances can teach us the correct use of scarce resources.

If the scarce and more expensive dollar will flow now into industries which will have to be selected more carefully and judiciously, there is no reason to feel discouraged, because again the appreciation of the dollar will make it more attractive to invest in consumer goods industries as well as export-oriented industries for both of which tremendous potential exists in our country. By making imported consumer goods more expensive, the appreciation of the dollar should give yet another boost to the consumer goods industry in the country. Here the need to mitigate the pressure of increasing costs by lowering the rate of Import Duty on the more sophisticated machinery and equipment needs to be stressed. This would help improve the quality of our consumer goods and reduce the attraction which foreign made goods have acquired in the mind of our consumers. As for Export Oriented industries, the Delinking decision was taken precisely to help them and, here too, the need to help such industries to produce better quality goods by improvement in their design cannot be overemphasised. Our Export-Oriented industries suffer from lack of response to the tremendous technological advance that has taken place in the past 2 decades. The plant and machinery needs Balancing. Modernisation and Replacement in a big way and introduction of the more sophisticated items which have helped in selling goods at a premium. In this respect I cannot but mention cotton yarn which is processed on Automatic Conwinders. The Duty free Import of Automatic Conwinders which was allowed for a short period in the recent past has helped us regain our lost foothold in the Japanese market to such an extent that it has caused an alarm. South Korea which is bridled out as a rodent exporting country has been cajoled by us from the Japanese

Market. But alas; we did not have the heart to let the industry bring many more Automatic Counters to exploit the situation that was developing in our favour. The fact remains that the potential for industrial investment in our country exists and needs to be exploited. The appreciation of the dollar may appear to be acting as a deterrent at first sight. But on a closer examination it will become clear that those very factors which we are prone to consider as discouraging may turn out to be a Blessing-in-Disguise.

I am encouraged to hold such optimistic views in the atmosphere of sick industrial sector as what I have seen in the textile sector can lead to no other conclusion. Just as the world today is plagued with not only inflation but also unemployment, similarly the textile sector in Pakistan today is going through sickness and healthy growth at the same time. If inflation-cum-unemployment have been accepted as a fact of life on the new economic horizon, there is no reason why industrial investment and industrial sickness should not go hand in hand. While it is true that our textile sector has almost a million closed spindles and many sick units, perhaps it is not known to all that during the past 5 years 55 new textile mills covering one million new spindles have been installed and are in productive business. 35 old sick units have

changed hands and the new managements have put new life into these sick units, thereby proving to the world that there is no scarcity of managerial and entrepreneurial talent in this country which can meet the challenges. These 35 units cover almost a million spindles. As for Modernisation in the Spinning Sector alone during the past 3 years or so Rs. 50 crores have been invested and if you were to take into account the investment in the entire textile sector including garments, made ups, etc. such investment would amount to Rs. 150 crore. I have mentioned these facts, because these are within my knowledge. I wish I had time to study the situation in other export oriented and allied industries in the country. But what I read about the Sugar and the Cement industries I have reason to feel that our entrepreneur is still alive and kicking and will not be discouraged by such minor factors as the Appreciation of the dollar. We have met with such challenges in the past. The appreciation of the dollar is bound to remove the distortions which had crept into our export sector and pave the way for export-led growth through gigantic industrial investment for which tremendous potentialities exist in our country. The creative energies of our people and the dynamism of our industrial sector cannot be inhibited by the Appreciation of the dollar.

STEPS TOWARD MECHANIZATION OF SMALL FARMS LAUDED

Karachi BUSINESS RECORDER in English 18 May 82 p 2

[Editorial: "Mechanization of Small Farms"]

[Text]

Food and Agriculture Minister Vice-Admiral Mohammad Fazil Janjua has said that the Government would soon announce its policy about the manufacture and assembly of small tractors in the country. Even this announcement has not come too soon, and nobody knows how long it will take to reach a final decision in this regard. One of the basic flaws of our planning has been the piecemeal approach which causes unnecessary delay. When we had decided to introduce mechanisation of agriculture through the use of tractors and other implements, this question should have been decided there and then. Why was, then, discrimination made in favour of big tractors knowing fully well that majority of the farming community consisted of small farmers? However, these are high policy matters and beyond the comprehension of lay men like us.

Thank God, it has dawned

on our policy makers that small farmers require tractors with less horse power and lower prices and that big machines are of no use for them. In other words, it is a confession that mechanisation policy so far followed in the country has not catered for the needs of the small farmers. It is estimated that about 90 per cent of our farmers own land below 25 acres. Obviously, these holdings cannot afford to go for big machines which are being imported and the prices of which have been going up and up. Moreover, even if they were made available to the small farmers they would have been wasteful and uneconomical.

In a country like ours it is necessary that scarce resources are put to very judicious use and the most efficient use of factors of production is made. Have we done it? We are not aware as no cost-benefit studies are available. The same has happened with re-

gard to tractors. We have been importing big machines at huge costs. Experts are of the opinion that the available tractor power is underutilised. If this is so, then the policy with regard to their import needs to be revised so as they are efficiently used.

Unless special problems of small units of cultivation are attended to and solved in a rational manner real breakthrough in agriculture will not be achieved. That Government realises this point is evidenced by the fact that it is considering to introduce tractor cultivation on small farms. It is in this context that the National Board of Agricultural Mechanisation recommended that tractors of 20 and 35 horse power be introduced for the benefit of small farmers. At present bullock power is used for the purpose and more than 70 per cent farm area is operated by bullocks. Replacing bullocks with trac-

tors will require a lot of persuasion as well as provision of necessary credit to the farmers to be repayable in easy instalments. The small tractors imported from China and Japan have already been tested and found suitable. We are sure that their introduction would do lot of good to our agriculture and help raise production and productivity. Arrangements for their manufacture within the country should be made without much loss of time. In the meantime to popularise their use a limited number can be imported from abroad. There are about 100,000 pieces of big tractors in the country but since they are underutilised, it would be logical that their import should be completely banned and the sum allocated for their import be diverted towards import of small tractors. Similarly, the tractor manufacturing plants in the country should undertake to make small tractors also.

CREDIT FOR TOBACCO INDUSTRY ARRANGED

Karachi MORNING NEWS in English 17 May 82 pp 1, 8

[Article by S.M. Azad]

[Text] Credit finance of over Rs 300 million has been arranged for the cigarette industry to purchase tobacco for the year 1982.

This was disclosed by Sardar Aurangzeb Khan, chairman of the Pakistan Tobacco Board, in an exclusive interview with MORNING NEWS.

The scheme of annual tobacco purchase credits from banks for the cigarette industry was evolved back in 1978, and it was since then functioning very well to the total satisfaction of the bankers, industry, growers and the PTB, representing and coordinating the scheme on behalf of the Government.

Over the years, the scheme was perfected and rendered fault-free. Its soundness inspired some neighbouring nations to adopt it.

The underlying objective of the scheme was to arrange for the tobacco growers an instant payment against their supplies of crop to the tobacco companies.

Elucidating his point, he observed that the cigarette companies were the sole buyers of prized tobacco, the tobacco known as Virginia flue cured.

The cigarette industry, he explained, was also buying certain quantities of other varieties of tobaccos, such as white patta and dark Virginia. However, the entire crop of these varieties was not being bought over by the cigarette companies and, therefore, its marketing was in the hands of more than one force.

The PTB, he assured, was, however, hammering out arrangements steadily to streamline the marketing of other varieties of tobacco as well, and certain measures in this direction, were already taken. More will be done with the success of the steps.

The primary function of the Board, Sardar Aurangzeb is heading, was to make scientific efforts to increase tobacco production and that too of quality, so that the entire domestic demand for this cash crop was met through indigenous output.

One of the essential elements of the scheme was to ask the cigarette industry, which is the most organised sector of the tobacco marketing set-up, to transmit well in advance their tobacco requirements for the next season.

This exercise was being meticulously done for the past few years and it has proved its immense utility, since the industry was cooperating so willingly in it.

The requirement was being determined before tobacco sowing season and it was being announced by the PTB through its extensive network, covering all the tobacco growers. Thus, the grower was being informed in advance of its crop needs and he was able to grow the quantities as well as qualities of the tobacco required.

Pakistan Tobacco Board, with due representation of the industry and growers, used to undertake an exhaustive exercise in determining the tobacco prices, varieties gradewise, before the beginning of each season.

This was being done on sound method and not based on hunch. For the year 1982, tobacco prices have been raised by 10 per cent, in relation to support prices of the previous season. Tobacco was a cash crop and it required lot of care and hard work to cultivate, grow and harvest. It was a delicate crop and required very careful handling.

Tobacco prices had to be in relation; not only to the extent of perseverance involved but in context with the returns accruing to the growers from the competing crops. In this regard, he observed that sugarcane prices were recently revised and proved very attractive to growers. Sugarcane not going to factories was being rendered into Gur and Khand-sari; but no similar alternative was available for tobacco growers.

There was no restriction on growing of tobacco now. Last year, tobacco prices were re-

vised by eight per cent. Tobacco cess was being collected by the PTB which was spending it on research and development work. This has been fruitful in terms of yield per hectare. Pakistan now ranked third, after Japan and South Korea.

Tobacco exports were not moving satisfactorily. Almost each continent was growing tobacco and America was leading in it.

He, however, expressed his satisfaction over the trend of cigarette exports and complimented the industry for its export performance. He observed that the quality of our cigarettes was very good and that new markets were being successfully scaled down. He hoped for a better performance in this area.

He observed that the industry was in need of modernisation and balancing to further improve its export performance.

The industry was contributing a lion's share to the state exchequer and needed support for strength.

About the anti-smoking campaign, he observed that other Ministries had to do their work. However, the industry needed patient bearing of its point of view. The industry could take it in befitting spirit. Educating smokers of real hazards was not so bad.

ALL-IMPORTANT

Supporting his views M. Rasim, of Mogul Tobacco Company observed that tobacco crop was all-important as it was principal raw material, constituting almost 80 per cent of the industry's cost, and the industry was paying over Rs. 3,000 million on central excise duty account to the state. This was 32 per cent of the total excise duty, collected from over two dozen products and industries. The PTB was the main functionary for ensuring adequate tobacco of quality at reasonable price. Without this the industry, laying golden eggs, would suffer enormously.

PRIVATE SECTOR MOBILIZATION PROJECT DISCUSSED

Karachi MORNING NEWS in English 17 May 82 p 8

[Text] Rawalpindi, May 16--A private sector mobilization project, financed by the United States to the tune of 50 billion dollars, will be launched in the country next year.

The project has been included in the renewed U.S. economic assistance programme finalised between the two governments in August last year.

The project to be implemented in a period of about five years is being drafted by the United States Agency for International Development (USAID). Two expert-level missions of the agency are currently visiting Pakistan to obtain relevant informations both from the government and private sector related to the project.

Under the project, preference will be given to the least developed areas to set up export-oriented industries. It is expected that the areas which have been given by the government tax holiday will be considered.

The US AID mission is presently reviewing the appropriate preinvestment feasibility analysis services, middle management training services, financial services for venture capital, management accounting, technical and bureaucratic industrial extension services, private sector policy studies, free trade zone, transport and other industrial development services, for private sector mobilization project.

The members of the US AID mission held a meeting with the representatives of private sector at the Rawalpindi Chamber of Commerce and Industry, here today to ascertain relevant information to prepare the project document.

The discussions centered around the areas of industrialisation, locations, involvement of local private investors size of investments etc.

The acting leader of the mission, Mr Eugene Szepesy, in his remarks said the US Government has decided to take in-depth look at expanding domestic and foreign private sector activities in areas which would benefit development. He said Pakistan was one of the ten countries identified for this special effort.

Responding to questions of members of the chamber, he said a team of US investors will visit Pakistan in early December to finalise and conclude agreements for setting up joint ventures in Pakistan.

Earlier, welcoming the mission, the President of the Chamber, Mian Pervaiz Aslam, said that the investment climate in Pakistan has improved over the past few years and the present government has taken a number of steps to restore the confidence of the private sector to invest in industry.

Counting the steps, he said, important among these are tax holiday both to local and foreign investors for establishment of industries in less-developed area, repatriation of capital and dividend in foreign exchange to foreign investors in certain industries, liberal grant of loan on easy terms, exemption of custom duty and sales tax on import of machinery and equipment for agricultural industries etc., and firm assurance that the newly-established industries will not be nationalised. PPI.

CSO: 4220/650

LOAN AGREEMENT SIGNED

Karachi MORNING NEWS in English 18 May 82 p 10

[Text] Islamabad, May 17--A loan agreement was signed today in London between the Government of Pakistan and a Consortium of Banks, according to a message received here tonight.

The largest syndicated loan ever arranged for the Government of Pakistan, a US dollars 225 million Eurocurrency credit, was signed in London today by a group of international banks led by the Bank of America International Ltd., Chase Manhattan; Chemical Bank International Group, Gulf International Bank, Habib Bank Limited, Manufacturers' Hanover Ltd., and Morgan Guaranty Trust Company of New York. The managers of the loan are the Bank Al-Jazira and the Continental Illinois Ltd.

The loan agreement was signed on behalf of the Government of Pakistan by Mr Qazi M. Alimullah, Joint Secretary (External Finance) in the Federal Finance Ministry, Islamabad.

The loan will be utilized for importing a variety of commodities including fertilizers, edible oil, petroleum and petroleum products, purchase of agricultural machinery and capital goods required for Pakistan's agricultural and industrial development schemes. As a result of strong market response, the loan was increased from the original mandate of US dollars 175 million.

Speaking at the loan signing ceremony in London today, Qazi Alimullah said that Pakistan's economy had maintained a healthy improvement, and the economic growth during the current fiscal year would be around 6 percent in spite of recessionary conditions in many parts of the world, the Government of Pakistan had taken necessary measures to sustain an encouraging economic growth rate. He said that the delinking of the Pakistan rupee from the US dollar and the managed floating of the Pakistan rupee versus a basket of foreign currencies had led to a substantial increase in the home remittances of Pakistanis abroad and the earnings from exports. He said Pakistan's foreign currency reserves had increased a great deal and Pakistan's balance of payments position was also better. Mr Alimullah said that the fact that current Eurocurrency loan had been oversubscribed showed the confidence of the international banking community in the soundness of Pakistan's economy. The terms of the loan, he added, were also to Pakistan's advantage as against the two previous loans in 1980 and 1981. APP

CSO: 4220/650

AFGHAN MUJAHEDIN SPIRIT SAID TO BE VERY HIGH
Karachi MORNING NEWS in English 18 May 82 p 5

[Text]

A leader of the Afghan Mujahideen, Prof. Burhanuddin Rabbani said here yesterday that there was no discrimination of colour and creed in Islam.

Speaking at a reception held in his honour by the Tehrik-i-Islami, Karachi he said that the spirit of the Afghan Mujahideen was very high. They recently attacked a very important airfield of Russia and destroyed Russian armaments there. About 3,500 Afghan Mujahideen were busy in destroying important installations of Russia, he added.

Prof Rabbani, who is also chief of Defence Committee of the Tehrik, further said that about 80 per cent area in Afghanistan was in the control of the Afghan Mujahideen.

He also expressed his apprehension that because of the war in Afghanistan, the war clouds were also hovering on the borders of Pakistan, Iran and Persian Gulf areas. Prof. Rabbani has come here to attend some Jihad conferences.

Another leader of the Afghan Mujahideen Prof. Abdul Rasul Saliq, said that the Afghan Mujahideen were struggling very hard and sacrificing their

lives for liberating their homeland from the Communists, who wanted to spread Communism in Afghanistan.

SOVIET DESIGN

Speaking on the occasion, the General Secretary of the defunct Jamaat-i-Islami Qazi Hussain Ahmad said that Russia was trying to spread communism in Afghanistan for the last 50 years and the regime of King Zahir Shah cooperated with the Russian authorities in this connection.

He lauded the Afghan Mujahideen for their struggle against the Russians who had forcibly occupied Afghanistan.

Earlier, welcoming the Afghan leaders, Prof. Mahmood Azam Faruqi, Amir of the defunct Jamaat-i-Islami, Karachi, said "We consider the war Mujahideen as ours and we being fought by the Afghan will be always be available to help the Afghan Mujahideen in their just struggle".

The reception was attended, among others by Prof. Ghafoor Ahmad, Dr. Ather Quraishi, Mr. Akhlaq Ahmed and Secretary of the Tehrik-i-Islami Syed Munnawar Hasan.

CSO: 4220/650

CALL FOR STEPPING UP PAKISTAN-GERMAN COLLABORATION

Karachi MORNING NEWS in English 18 May 82 p 10

[Text]

ISLAMABAD, May 17: Pakistan and West Germany who have a high degree of government-level cooperation, need now to step up efforts for economic collaboration in the private sector, Dr Klaus Terfloth, the West German Ambassador said here today.

He said: "With a large availability of highly qualified manpower and skilled labour, Pakistan has every chance to attract West German investors to establish industries here". Dr Klaus Terfloth made these remarks while reviewing Pakistan-German cooperation which has just completed 30 years.

Talking to APP, he said the two countries had "very stable relations in the political fields and there has been no ups and downs even when this country faced difficulties". These stable

relations, he said, had been supplemented by government-to-government level economic cooperation; under which Bonn provided nearly 1.6 billion dollar assistance to Islamabad over the years. At that level, Bonn is the second largest aid-donor to Pakistan.

He said his government would do its best to maintain the level of official economic assistance, inspite of the recession which his country faced at the moment.

But, he said, the cooperation between the private sector; and the investment it can generate for this country, can surpass the official Bonn assistance. Electronics, farm equipment and manufacturing were the areas in which, he thought, German investors would be interested.—APP.

CSO: 4220/650

BRIEFS

PAK-IRAQ JOINT COMMISSION--Islamabad, May 18--The second session of Pak-Iraq joint ministerial commission will begin here tomorrow to discuss bilateral economic relations. A nine-member Iraqi delegation headed by Abdul Wabab Mahmood, Minister of Irrigation is arriving here tomorrow morning to participate in the commission's session. The federal finance minister Ghulam Ishaq Khan will lead the Pakistan side at the meeting. The commission, during its 2-day session, will review pace of implementation of the decisions taken by it at its first meeting. It will also discuss matters concerning promotion of trade between the two countries, role of Pakistani construction companies in Iraq and export of Pakistan's manpower to Iraq. The commission expected to formulate plans for strengthening bilateral cooperation in industries, food and agriculture and other economic sectors. APP [Text] [Karachi BUSINESS RECORDER in English 19 May 82 p 1]

JOINT SMALL MOTORCYCLE VENTURE--Tokyo, May 18--Suzuki Motor Co. of Japan said on Monday it plans to produce small motorcycles in Pakistan in a venture with the Government-owned Pakistan Automobile Corporation beginning in 1983. The plan calls for the production of 10,000 to 15,000 motorcycles a year of 50 to 125 cc class, the officials said. In another project, Suzuki has already obtained the Pakistan Government's approval for producing passenger cars and small trucks there in cooperation with local firms owned by PAC, beginning in late 1982, the officials said.--APA [Text] [Karachi BUSINESS RECORDER in English 19 May 82 p 1]

CEMENT PLANT--Quetta, May 17--A gigantic cement plant is being set up at Hub at an estimated cost of Rs 865 million with daily production capacity of 2,000 tons. The plant is scheduled for completion in about two years time. Civil work has already started and erection of machinery will begin next month. The plant in the private sector is being set up by Attock cement Pakistan, with major shares held by a prominent Saudi industrialist, Dr Ghaith Pmaraon. The investment for the plant in Baluchistan is the largest investment in the private sector so far in the country.--PPI [Karachi BUSINESS RECORDER in English 18 May 82 p 1]

ORDER PROMULGATED IN PUNJAB--Lahore, May 18--The Martial Law Administrator, Zone 'A' (Punjab), Lt-Gen Jilani Khan, has promulgated Martial Law Order No 942 to provide for special measures to curb the tendency of harbouring and providing protection to the proclaimed offenders in the province. The MLO provides that no person shall protect, conceal, harbour or assist any proclaimed offender or

rescue or attempt to rescue from detention, or resist or attempt to resist the arrest of any such offender or in any way, abet the commission of all or any of these acts. Contravention of this order would be punishable under Martial Law Regulation No 14. This order shall, however, not extend to any case in which the harbour or concealment was by the husband or wife of the offender. The MLO explained that the proclaimed offender would mean a person so declared by the Provincial Government by a notification.--APP [Karachi BUSINESS RECORDER in English 19 May 82 p 3]

DEVELOPMENT AT ISLAMABAD AIRPORT--Islamabad, May 18--Islamabad international airport where the air traffic will further grow in the years to come, will have its first parking bay for 747 Boeing aircraft very shortly, official sources said here today. The Airport Development Authority (ADA) responsible for the development of airports in the country will start construction work on the parking bay next week. These sources further said that the existing capacity of all passenger lounges including international departures and arrivals, will be doubled. The existing concourse halls will be converted into the lounges. Arrangements were being made to provide sitting facilities at the spacious visitors' lounge constructed by ADA recently on the directive of the President. Construction of the cargo terminal is progressing and will be ready by July this year. Similarly, the expansion of car park will be completed by June. The authority has also started development work at the Lahore airport. The government has approved a plan to double the capacity of lounges at the Lahore airport. Work on the plan will start in near future. Work is progressing on the expansion of concourse hall and the car park, the sources added.--PPI [Text] [Karachi BUSINESS RECORDER in English 19 May 82 p 3]

DIRECT MAYOR ELECTIONS DEMANDED--Rawalpindi, May 16--Khanum Gauhar Aijaz, a Councillor of Karachi, has suggested that Mayors in future should be elected directly. The councillor, who attended the All-Pakistan Local Bodies Convention, said in a Press statement that this mode of election would give the elected Mayor the status he deserved. He would also have a broader outlook and would not behave as a Mayor of a mohallah, or 'biradari,' she added. About the Local Government system, she said that it could only succeed if the elected local bodies were administratively and financially sound to solve people's problems. About KMC's working, she said, it was being divided into eight zonal offices so that people did not have to travel long distances for their problems. She said this decentralisation was purely an administrative arrangement, as the executive supervision and financial control would be exercised by the central executive and the elected Councillor. For financial viability, she suggested that all local taxes be transferred to local bodies. To repose confidence in the system, it was necessary to allow the elected representatives to levy, collect, and spend local taxes in the best interests of the citizens.--PPI [Text] [Karachi DAWN in English 17 May 82 p 6]

NEW AIR MARSHAL--Peshawar, May 16--Air Marshal Iftikhar Ahmad Khan, Director General, Aeronautical Projects, has been promoted to his present rank, says an ISPR Press release. The promotion became effective from May 9, 1982--APP. [Text] [Karachi DAWN in English 17 May 82 p 1]

SUGAR MILLS IN SIND--Hyderabad, May 17--Nine new sugar mills and a large number of mini sugar plants are expected to be set up in the province during the

next 5-year development plan of the province. The Director Agriculture Sind Prof Noor Mohammed Siyal disclosed this while presiding over sunflower seminar at Kario Chaanwar (district Badin) here today. He said that government is making all possible efforts for solving the sugarcane lifting problems and for this purpose more sugar mills are being installed. He urged the growers to increase the cultivation of sunflower to save foreign currency to the tune of Rs 40 millions. Prof. Siyal also assured the cultivators of sunflowers of due incentives in this behalf. He also advised the growers to cultivate modern varieties of sunflower including HO-1 which are more useful varieties of sunflower. The Regional Manager Ghee Corporation of Pakistan Hyderabad said that five sunflower centres are being opened in Badin district on priority basis.--APP [Text] [Karachi MORNING NEWS in English 18 May 82 p 10]

OUTGOING AMBASSADOR'S FAREWELL CALL--Rawalpindi, May 17--The outgoing Ambassador of Bangladesh Mr Nazrul Islam made a farewell call on the President General Mohammad Zia-ul-Haq at the COAs House here this evening. He remained with the President for some time and exchanged with him views on matters of mutual interest. Representatives of the Ministry of Foreign Affairs were also present on the occasion.--APP [Text] [Karachi MORNING NEWS in English 18 May 82 p 10]

URDU TELEPRINTERS IN AUGUST--Urdu teleprinters will start working in Pakistan from August 14 this year. This was disclosed by Mr Inamullah Beg Manager Telephone Industries of Pakistan (TIP) at a meeting with the officials of National Language Authority here yesterday. He said the TIP will hand over the first ten Urdu teleprinters to the government for installation before August. The teleprinters which are being manufactured by TIP in collaboration with a German firm Siemens will function both in Urdu and English languages. The TIP is also manufacturing portable Urdu typewriters--PPI. [Text] [Karachi MORNING NEWS in English 18 May 82 p 10]

NEW ISLAMIC CONSULTANT--Mr Mehdi Ali Siddiqui a former District and sessions Judge, has joined the Council of Islamic Ideology as the consultant, it was officially learnt here yesterday. Mr Siddiqui recently completed the monumental task of Islamising the Pakistan penal Code. He deleted about 100 clauses, that were repugnant to injunctions of Islam and modified another 500 in the light of the Holy Quran and Sunnah. The draft report is lying with the Council of Islamic Ideology.--APP [Karachi MORNING NEWS in English 18 May 82 p 5]

NEW BANGLADESH AMBASSADOR--Islamabad, May 16--The Government of Pakistan have agreed to the appointment of Major General Kazi Golam Dastgir as Ambassador of Bangladesh to Pakistan. PPI [Text] [Karachi MORNING NEWS in English 17 May 82 p 1]

AID FOR REFUGEES--Rome May 17--The World Food Programme, a United Nations agency coordinating food relief supplies said today it had obtained wheat and edible fats to feed the 21 million Afghan refugees in Pakistan for a further 25 days. The Rome-based organisation said the new allocation consisted of 26,229 tonnes of wheat and 1,100 tonnes of edible fats. REUTER [Text] [Karachi MORNING NEWS in English 18 May 82 p 1]

SIXTY INDUSTRIAL PROJECTS COMPLETED--Lahore, May 16--Sixty industrial projects with an investment of Rs 5,677 million have been completed in the Punjab. The number of projects entailing an investment of Rs 2,473 million which are still under progress in the province is 51, says an official handout. It was disclosed in a meeting of the Punjab Industrial Facilities Board, held under the chairmanship of Secretary Industries, Secretary Ministry of Industries, Govt of Pakistan, the presidents of various chambers of commerce and industries and the representatives of WAPDA, Sui Gas, Telephone and Telegraph Department and the concerned provincial government departments participated. It was noted that 43 per cent of the total investment of Rs 13509 million sanctioned for various industrial projects during the period 1977-81, has since been utilized. Thus, the board considered the progress of implementation of projects fairly satisfactory. The board also disposed of 81 items placed before it. Most of the items were related to WAPDA, Telephone and Telegraph Department and Sui Gas. PPI [Text] [Karachi BUSINESS RECORDER in English 17 May 82 p 1]

CSO: 4220/650

THAILAND

COLUMNIST REACTS TO POSSIBILITY OF U.S. BASES

Bangkok BAN MUANG in Thai 29 Apr 82 p 5

[Ta Mo Lo column: "A National Affair Concerning Military Bases"]

[Text] Reports that the United States will return and again use military bases in Thailand are being talked about widely, even though the United States embassy in Bangkok has said that this is "not true."

But people are still suspicious and they are still talking about this since A.P., the news agency that broadcast this report, still stands by its report that John Gunther Dean, the U.S. ambassador to Thailand, went to Honolulu for discussions.

Dean did not say directly that the United States will again use bases in Thailand. Rather, he spoke like a politician who is not willing to commit himself, saying that "Thailand may consider reopening [former] U.S. bases."

This sounds strange. A.P. cannot talk like this. And Dean equivocated by saying that the "things that we want are some of the conveniences that can be obtained by using the bases."

He has talked as if the U.S. has been asked to return and open military bases in Thailand again. I do not know who would have asked this. Because there are many people in Thailand who have the right to conduct secret talks on international matters. Prem and Sitthi (minister of foreign affairs) are not the only two people with this right.

I have heard people make remarks to the effect that they would like the United States to come and put pressure on the Ciet Cong.

But I do not think that using this "stick" will achieve results. This will give the Communist Party of Thailand a chance to use this point to score a great propaganda victory.

However, according to the reports, Dean has frequently made excuses concerning reopening military bases in Thailand, saying that the "purpose of this is not to handle the situation in Kampuchea but to counter the threat from the area to the southwest of Asean."

It is clear that these reports of the United States reopening bases in Thailand are not idle rumors but that they have been released on purpose in order to see whether people's reactions to such reports are positive or negative.

It can be seen that the intent of some people is for the United States to set up bases in Thailand or somewhere else in Asean. But Thailand is the most convenient location.

It is clear that they would like to return and cause confusion in this area in order to prevent a certain group from passing through Afghanistan and crossing the Indian Ocean.

This refers to the Soviet Union, of course. At present, the Soviet Union is expanding its power in Indochina. And if it can pass through Afghanistan and Pakistan and reach the Indian Ocean and link up with the Russians who have established a beachhead in Indochina, the United States would be half paralyzed.

Thus, the United States would greatly like to come and guard the Indian Ocean area.

There is definitely the idea of having the United States again set up military bases in Thailand. But it is understood that this is still just the idea of certain people on both sides who are at an echelon below government level.

There should not be any carelessness.

The Thai side would like to have American military bases here to serve as "paper tigers" to pressure Vietnam. (This will not achieve any results since Vietnam's decisions depend on Russia, which is the one who "calls the signals.") Vietnam does not have the right to make any decisions.

As for the United States, it wants to have military bases here to block the movements and expansion of Russia here. Their thinking is obvious. They are not concerned about Vietnam. They only want bases in order to keep the "white bear" from roaming around here.

Concerning international strategy, at present the United States has lost the advantage to the Soviet Union in many areas in this region. The United States can no longer remain quiet.

The United States is probably very worried. It probably wants additional military bases somewhere in order to make it feel more secure and no place is as suitable as Thailand.

But the United States cannot refrain from using tricks. It has asked Thailand for help but is still acting as if it is the boss.

However, the establishment of foreign military bases in Thailand is a thing of the past. This will not happen again.

But if Americans want to come here as tourists, who could refuse to allow them to do so!

11943

CSO: 4207/94

BANK OFFICIAL ON OPTIONS, WEAKNESSES OF FINANCIAL SYSTEM

Bangkok THE NATION REVIEW in English 19 Apr 82 p 5

[Interview with Dr Supachai Panitchpakdi, director of the office of the governor, Bank of Thailand; date and place not given]

[Text] Thailand's financial system has hit the headlines with more intensity in the recent past. It is true that the country is moving into a "foreign-exchange-intensive" development stage? Is the future of the money market here promising? Would offshore banking facilities be appropriate for Thailand?

These and many other relevant questions have been raised in the country's financial system. And one of the experts involved is Dr Supachai Panitchpakdi, Director of the Office of the Governor, Bank of Thailand.

Here Dr Supachai offers some direct answers to the pertinent questions:

Q: HOW WOULD you evaluate the performance of the overall financial system in Thailand? Has the role of the Central Bank been positive in guiding the commercial banks' credit system? And are you happy with the performance of the finance companies as a whole?

A: EVIDENCE from the mid-seventies point towards commercial banks' increasing involvement with the nation's priority development sectors.

Prior to 1975, only five out of 29 banks were marginally involved in the channeling of funds into the agricultural sector. For the first time in 1975, all commercial banks in Thailand were requested by the Central Bank to extend at least 5 per cent of their total credits outstanding of the preceding year

to the agricultural sector. Due to this policy the farming sector sees its credit allocation in banks' loan portfolio shooting up from below two per cent before 1975 to more than 15 per cent in 1981. The branching policy that also emerged around this period further articulates commercial banks' role in the rural areas. With the introduction of the required credit allocation measure applicable to outlying branches, the branch banking system was reactivated and transformed from a group of passive deposit centres into a relatively more dynamic catalyst in the development of the rural economy.

The intervention in the banks' allocation of credit assumed greater importance as lending to sectors such as mining, housing, textiles, sugar etc. gained more weight,

partly through official instigation. The banking system's contribution to public finance also went up as: a) the requirement to hold government bonds for branch opening shifted from 15 to 16 per cent of total deposits, b) the reserve requirement permits the inclusion of government bonds, and c) the repurchase market came into being in 1979.

Guided credit allocation resulted in banks' declining profitability. This pressure, more so than from rising competition, urged commercial banks to become more cost-effective and to seek out new channels to shore up their profits. For those who can afford it, entrance was made into overseas market through the setting up of branches, representative offices, agencies or subsidiaries.

This external market has gradually turned into a significant source of earnings of some of Thailand's larger banks. Computerization schemes have been ambitiously introduced into the banking sector, with the hope that faster services could be rendered to customers with greater efficiency. Professional staff began to take over more responsible positions while the structure of shareholding slowly transformed towards a more public-based one. But all this appears to have proceeded somewhat unevenly. The transition into more professional banking could be sustained only by a selected number of banks, leaving the others to struggle along and even to be surpassed in terms of asset size by some finance companies.

The emergence of finance companies in the late sixties conveniently filled the gap of the lack of competition in the financial system. First, they were allowed to operate loosely with neither specific license nor supervision. They then were legalized as a financial institution with the aim to provide investment banking services. Their turns out to be a glaring example of the possible incongruity between rapid growth and financial soundness. Finance companies kept up a hot pace in growing for a number of years.

There was then a sense of fear that either finance companies might draw funds away from banks or banks might be using finance companies as an additional source of funds for their own purposes.

Admittedly, the performance of finance companies has not met the objectives, even before the 1979 trauma of "Raja Finance." Flexible interest rates have of course brought in substantial funds, sometimes more than could be handled by the finance companies. However, these funds were mostly short-term, preventing these companies from going into the longer end of the market in project financing. The stock market boom helped absorb these funds but nearby sank the system of finance firms with its downfall. Lacking a firm foundation and a clearcut legal framework, the system could not reap any benefits from its past rapid growth. What more, the sheer

number of finance firms has become a perennial problem, causing incessant supervisory difficulties.

With the temporary trough in the system of finance companies, the traditional shortage of term finance in the Thai economy has become more apparent and crucial. Development finance institutions are as a rule timid in their operations, constrained partly by a rigid legal structure and partly by unprofessional management supported by inadequate cadre of skilled staff.

The Bank for Agriculture and Agricultural Cooperatives has made admirable effort to break out of its straight-jacket but is still burdened with large sums of rescheduled loans yielding low interest rates. The Industrial Finance Corporation of Thailand, on the other hand, can boast of a sounder but a limited loan portfolio. The IFCT has still to solve its chronic problem of being awash with foreign funds but short of the local currency needed by the clients. The Government Housing Bank has been more or less sidelined due to the shortcoming of the management. This typical source of long-term finance is saddled with an additional burden of having to refinance its long-term commitment with short-run credits carrying high and rising interest costs.

As with the financial sector of other developing countries, Thailand's financial institutions have not fully matured, although already fairly advanced in some segments. The system, however, must at least contain certain basic strengths to have come this far without having to put up with major setback along the way.

Q: THE BANK OF THAILAND has appeared to intervene more in the country's financial system. Is this going to be a permanent long-term policy?

A: The existing relationship may be described as mutual understanding between the regulators and the regulated, the art of "moral suasion" has frequently been practised in Thailand with effective results.

This mode of operation, traditionally applied by the Bank of England, has in the Thai case helped to bypass outright "prescription" that may have produced consequences undesirable to all parties involved. This approach of

"moral suasion" gains more in efficiency when it is supported by regular consultation sessions between the authorities and the financial institutions. The kind of understanding and cooperation between the public and private entities found in the financial field can be said to be exemplary, rarely matched in other sectors in Thailand.

This prevalent atmosphere of consistency, lucidity, cooperation, and non-intervention provides a fertile ground for longlasting stability of the financial sector. The much-needed stability cultivates a sense of unshaken confidence of the public in Thailand's banking system, so much so that it sometimes may be at the cost of other financial institutions.

But before the Raja Finance case, both banks and finance companies were basking in the public confidence that generated substantial influx of savings into the whole organized financial system.

Although no definite figures can be given, it was clear that the process of financial intermediation has been advancing satisfactorily while the unorganized money market has been shrinking.

The proliferation of banks' rural branches and the expansion of agricultural credit have considerably contributed towards the monetization of the rural areas and the spread of the organized money market.

The mobilization of domestic savings, one of the most important tasks of a financial system, has been fairly successful thanks to the traditional stability and the unconventional courage to adjust the interest structure. This blend of courage with conservatism in running present-day monetary policy is becoming a necessity as financial uncertainties, particularly in the overseas markets, are multiplying.

Courageous measures which are economically justified were witnessed in 1981. The suspension of the foreign exchange fixing session, the adjustments of the baht value, the Bank of Thailand's foreign borrowings, and the temporary introduction of the currency swap arrangement, were carried out under adverse circumstances. This mature monetary policy adds real-

lience to Thailand's financial system, having increasingly to cope to a larger set of unpredictable factors.

It should be added here that the policy consistently refrains from major intervention in the market system. Although the country's international reserves have been under more pressure, as with all other non-oil exporting less-developed countries these days, the solution was never sought in restrictive foreign exchange control, as may have been the case in many other countries.

Foreign exchange budgeting as adopted by South Korea in the past has always been thought of as incongruous to the Thai financial system. Such a policy would jam market mechanism and prevent an efficient allocation of foreign exchanges. On the contrary, the exchange control framework is being subjected to constant review to simplify procedures for ordinary transactions and to be more vigilant for clandestine ones.

To bolster the international reserves, appropriate currency adjustments were executed so that the market would refrain from moving against an overvalued baht, particularly when compared with a basket of relevant currencies. This measure helps to strengthen the working of the market instead of artificially maintaining a "stable" but untenable currency value.

Moreover, to tide the reserves position over a difficult period, the Bank of Thailand has made precautionary moves to line up various credit sources, ranging from the official International Monetary Fund's facilities to revolving stand-by credit from commercial banks.

Considering the fact that the Bank of Thailand had never borrowed in an overseas money market before 1979, the decision to contract its first syndicated loan of 200 million US\$ should be considered gallant and in line with reality. When borrowing terms improved for Thailand, this loan was refinanced with a new one, in the form of stand-by revolving credit, with better terms.

Due to these preemptive moves by the Central Bank, the external debt structure of the nation as a whole has been significantly more balanced in a way that the longer term components of the total external debt has increased.

Q: SOME CRITICS have pointed out certain glaring weak points in the country's financial system. In what areas would you say improvement could be made?

A: For a developing economy, Thailand's financial system may be considered quite mature and advanced when compared with other economic sectors.

Yet the system is not free of certain shortcomings that have to be dealt with. Some of the strong points mentioned earlier could sometimes indirectly give rise to negative performance. The traditional adoption of demand-following policy approach that has the benefit of preventing costly experiments, could create a serene state of mind that does not lend itself to expeditiously deal with supply-leading institutions.

The setting up of the Securities Exchange of Thailand in the mid-seventies was one such example. The inexperience in handling untried institution artificially planted into the system hold against the regulators and others involved. Inadequate legal framework could not stem the manipulation of the securities market by speculators to the detriment of other, generally ignorant, participants of the market.

The prolonged spell of exchange rate stability of the baht vis-a-vis US dollar, has made it difficult for financial institutions, importers and other borrowers of overseas funds to cope with currency adjustments, minor though they may be.

The fixed exchange rate with the dollar has made them more or less oblivious of the existence of other strong currencies that may as well be used. The adjustments, even though rather small when compared with other countries, were therefore more painful than they should have been.

This unpreparedness was reflected through the prevalent short foreign exchange positions that were not covered. The situation was not as bad for financial institutions as for importers. So although the baht adjustments in 1981 have definitely slowed down import, importers now turn to seek domestic financing to replace overseas refinancing. This puts pressure on domestic liquidity as well as on the international reserves.

The practically stationary state of the number and kind of financial institutions does not entice an in-

creasing degree of competitiveness among the existing institutions. This is an old quailm of the system that has been played down because of the system's stability.

Recently this question of competition cropped up again when the possibility of new financial institutions and the expansion of the number of banks representative offices were discussed. However, competition in itself has never been announced as one of the goals of financial development. It is unlikely that this will change at the moment. Due to the fixed ceiling on loan rates and deposit rates, there is little room left for price competition. Thus the lack of competitive spirit cannot be blamed on the financial institutions alone.

When considered as a whole, the system offers some choice as far as deposit instruments are concerned, while the lending side can stand more diversification and imagination. In this respect it is not at all certain that a larger number or variety of financial institutions would be conducive to more intensive competition.

Q: WOULD YOU agree with the remarks that the country's financial institutions remains rather conservative — and that loans are generally "over-collateralized?"

A: With little competitive pressure, the conservative inclination of the financial institutions is underpinned by their distaste for risk. The system is, in other words, dominated by "risk-aversers" rather than "risk-takers." Although they cannot be encouraged to cast caution to the wind, the financial institutions should be in the position to assess risks and take calculated ones accordingly.

With the lack of such ability or the failure to use it, the financial system could not contribute as much as it should towards the growth of non-traditional economic activities. Steering the right path between greed and caution has always been one of the most exacting tasks faced by financial institutions not only in Thailand but all over the world. International Banks have learned their lessons the hard way, having to cope with traumatic experiences such as in Poland and Romania as a consequence of greed. However, caution if overdone can be equally detrimental as the policy of reckless expansion.

It is rather ironic that, while loans generally are over-collatera-

lized, funds are casually pumped into businesses related one way or another with the financial institutions. Experience confirms that unsecured loans such as these provide the most fertile ground for future defaults or delinquencies.

The financial trauma induced by Dewey Dee in the Philippines proves to be an expensive but instructive example. The lax and unsecured loans extended to this fugitive textile magnate pointed to major managerial weaknesses within the financial institution involved, mostly investment houses and single industry family-run banks. The root of the problem lies in the inadequate managerial capacity of family controlled financial institutions.

Apparently financial institutions are not fully aware of the importance of strong and well-diversified capital base and the disadvantages of relying on high leverage ratios that is equivalent to courting troubles. Constantly heard is the outcry for the authorities to reduce the capital to risk assets ratio or to exclude some items from the risk assets list. The reasons given can be summarized under the need for some financial institutions to grow at a certain rate. And this could be hampered by the capital/risk assets ratio. The recent increase in this ratio from five to six per cent for finance companies also drew similar criticism. With regard to this matter, it is necessary to view the issue as concerning the group of financial institutions as a whole, disregarding any exceptional cases. Accepting the fact that equity augmentation is rather difficult these days is one thing. But this does not necessarily imply the denial of sound basic financial principles.

Admittedly, the management of liquidity within the present financial framework cannot as yet be fully within the present financial framework cannot as yet be fully efficient. The extension of excessive overdraft lines can put commercial banks in troubles when the full lines are drawn. The openness of the financial system — the substantial degree of dependence on overseas money markets — makes it easily vulnerable to external disturbances occurring with greater frequency during the last few years. In

such a case the management of liquidity encompasses the management of a whole portfolio of various funding and placing possibilities denominated in diverse set of currencies. The lack of an active domestic secondary market for short-term financial papers also induces financial institutions to increasingly look outwards. In the past, therefore, commercial banks were known to carry considerable volume of excess reserves with scant domestic opportunities to place them profitably. Those were the bygone days when interest rates abroad were constantly a few percentage points below domestic rates. Now that the tide has turned, the management of liquidity becomes more intricate involving the need to cope with shortages more than surpluses.

Q: As you see it, what are some of the major problems and issues that continue to plague the financial system of the country?

A: Let me point them out in detail:

a) THE EXISTENCE of the modern unorganized sector in the forms of various non-licensed financial institutions or pseudo-financial institutions proves to be a hindrance to the effort to maintain the system on a sound footing. With the piling up of new rules and regulations, these undertakings become more profitable when compared with the licensed institutions. Savers are easily lured to this informal sector by the attractive returns but are unaware of the risks they are taking. The matter gets worse when certain non-licensed institutions are operated or advised by those owning licenses.

b) THE UNCLEAR dividing lines between various types of financial institution renders the financial structure less productive and efficient than it should be.

For example, wholesale finance businesses were in the past destined to be the bread and butter of finance companies. But the fact is that only a handful are doing these businesses these days. While commercial banks, which are by nature supposed to be the retail side are generally committed to large-scale operations and sizable customers (in terms of business volume). Without compartmentalizing the market to a certain extent, spe-

cialized skill that helps to cut costs and increases better services may not arise.

c) VARIOUS SEGMENTS of the financial market tend to demonstrate the set pattern that is of a captive nature. The interbank market, for example, has roles definitely cast for Thai banks as lenders and branches of foreign banks as perennial borrowers.

The foreign exchange forward market knows a few traditional sellers and a larger number of equally traditional buyers. The treasury bills market is frequented by a small number of banks, the composition of which rarely changes. The captive nature of these markets does not promote more intensive activities that could lead for more financial deepening.

d) THE PRESENT structure of the financial system apparently cannot generate long-term financing facilities to meet the economy's needs. The stock market and finance companies have not been able to induce the supply of long-term funds as required from them.

Commercial banks are by nature not adept to performing this task but appear to be most likely to succeed in this undertaking for the time being. Development financial institutions like the Industrial Finance Corporation of Thailand does obtain long-term funding from abroad but cannot get over the problem of finding adequate domestic funding sources. The lack of long-term funding sources makes it rather difficult to start up new investment projects.

e) THE OWNERSHIP structure of financial institutions takes time to adjust to the diversification requirement. The calls for the nationalization of commercial banks have become thick and fast in the last few years, reflecting the misconception of the critics on the relationship between ownership and effective participation in the country's development process.

Critics perceive the greater possibilities for banks to be more socially accountable should they become public property. This misconception is not alleviated by the banks' image of affluence and glamour, reflected through the bankers' style of living, the lavish premises, and the way of consumer dummies gathered around

them. The image is deep-seated in the public's mind and is not at all healthy for financial system in general.

5) THE FISCAL treatment with regard to financial sector is not always consistent and leaves room for uncertainty. The differentiation between the fiscal treatment of commercial banks' deposits and Government Savings Bank has led to some consternation in the past.

The withholding tax exemption on foreign loans' interest payments has been introduced on a short-run basis and can sometimes even be changed, albeit favourably, before the end of the original exemption period. The influx of foreign funds before the end of such a period is a recurrent affair pointing to the borrowers' perception of the future uncertainty. Before the blanket exemption, banks with overseas branches were in a more advantageous position not being taxable on interests payable to loans from their branches.

The debate over the just solution to the tax treatment of foreign banks' representative offices remains unfinished. The switching of

deposit interest tax from withholding arrangement to income tax appropriation has just been postponed for another three years.

The Thai academics are generally dissatisfied with this postponement, reasoning theoretically that deposit interests should be taxed as an income item. In other countries where deposit interest is appropriated as income and taxed according there is as a rule an exemption for a certain amount of interest earnings.

This induces the splitting of deposit accounts and the resultant tax exemption. Their experiences are that not much taxes could really be collected from the deposit sources. In the case of Thailand, one does not need an academic reason to argue that should deposit interests be taxed heavily, there will either be a shift from deposit accounts to government bonds or to non-financial assets and the unorganized money market.

The consequential decline in the savings rate may not at all boost tax revenue besides putting pressure on the already expanding savings-investment gap.

PERSONALITY CONFLICTS IN KRIANGSAK PARTY DEFY SOLUTION

Bangkok THE NATION REVIEW in English 29 Apr 82 p 4

[Article by Surachai Vongsupalak]

[Text]

"IT'S LIKE a shattered glass. How does one piece the fragments back together?"

Ob Vasuratana, chairman of the National Democracy Party's central executive committee, had these remarks to make to describe the conflict within the party which came to a head on Sunday when the party caucus to pick senior party executives was called off.

"The man to resolve the problem now is the party leader (Gen Kriangsak Chomanan). Khun Watana never had paid any respects to me. How can I help solve the problem?" Ob said in an angry public outburst on Tuesday.

Watana Asawahem, leader of a faction which claims about 30 MPs under his wing, isn't going to take the issue sitting down. He mused no words when he accused Ob's faction of "acting like capitalists trying to usurp powers within the party."

The crisis which has hit the NDP may

get worse before it gets better. Former Premier Kriangsak has said very little publicly over the issue. He apparently is the only man, if any, to patch up the widening gap.

Police Maj Gen Sang Kittikachorn, a Chiang Mai MP and an adviser to the party, admitted that the conflict had in fact been caused by the jockeying for senior positions within the party by the two major factions.

"We must face the facts and try to resolve the problem accordingly," Sang said.

Watana, an MP from Samut Prakan, claims to have brought with him 34 MPs from the now-defunct Mass Line Party, including Panich Sampavakupt (Petchburi); Boonsong Somchai (Prachinburi) and other PMs such as Tavich Klinprathum (Mahasarakham); Prayote Nuengchamnong (Chonburi); Piya Angkinant (Petchburi) and Sang as well as some academicians of

the party such as Medha Sudbanthad, Dr Paiboon Kruakaew, Dr Mun Patananothai and Pridi Hiranyapruek.

The other main faction, known as the "money men," is led by former Commerce Minister Ob Vasuratana with such strong members as business leader Bansomboon Mitrapakdi, Sompong Amornvivat and other MPs such as Wongse Ponnikom (Nong Khai); Prayoon Suranivong (Udon Thani); Col Udom Taweewat (Roi-et); Vichit Sukaviriya (Prachinburi) and Air Chief Marshal Dawee Chullasapaya (Mae Hong Son).

When the party caucus on Sunday held at Dusit Thani Hotel broke down over a technical problem (lack of representation from the South), Watana was more than miffed.

He saw it as the efforts by the other group to "sabotage" his vying for the powerful post as secretary general of the

party. He openly accused Sompong of having persuaded representatives from three southern provinces not to attend the caucus.

"The other group knew it was losing grips on the contest," Watana charged. But Sompong strongly denied the allegation. "I never saw the southern representatives at all. How could Watana accuse me of trying to convince them not to attend the caucus. I had myself done my best in looking for members throughout the country. The party was responsible for issuing the invitations. I wasn't in a position to know whether they would come to the meeting or not. The allegation was absolutely unfounded and unfair to me."

Watana and Wongse were to clash head-on in the contest for the post as secretary general.

The storm had in fact been brewing long before Sunday's caucus but when Dr

Arthit Ourairat resigned one week before the caucus, it was obvious that things had got out of control.

Arthit, also tipped to be a candidate for that post, handed in his resignation to the party leader to avoid getting involved in what he correctly perceived as a major open battle.

Ob's faction tried to block Watana's ascension to power in the party because the Samut Prakarn MP was perceived not to have "good enough an image." Ob didn't hide his feelings when confronted with that question on Tuesday:

"If you ask me to choose between Watana and Wongse, I would certainly choose Khun Wongse because he has a better reputation..."

But Watana's group maintains that the MPs must have a bigger say in the party's affairs. "MPs form the very important base of the party. If a party lacks supporters in general, we could still manage to survive but if they don't have the support of MPs, how can the party prosper?" Se-nga asked, apparently backing the MPs' faction.

The internal battle had started about a week before the party caucus. Informed sources said that on April 20, Bansomboon and about seven to eight members of the party's central executive committee drew up a list of nominees for the new composition of

the executive committee. The list was later presented to the party leader.

"The party leader was non-committal about the list. He simply told the group that he couldn't make up his mind, asking us to talk it over with Khun Watana and Tavich. Mr. Bansomboon then had an appointment with Watana to talk at the latter's house following the party's conference. But Khun Watana wouldn't talk," said the sources close to the party affairs.

Ob confirmed that the list had actually been drawn up. "That was the list Watana described as belonging to the capitalists. But let me state here categorically that I was in no way involved in drawing up the list since I was personally against drawing up any list of nominees in advance in the first place," Ob said.

He added: "In fact, the list drawn up by Khun Bansomboon, had MPs up to half of the nominations, the rest being businessmen, academicians, and former military men. It was meant to improve the party's image so that it would be acceptable to the public."

Watana's faction retorted that the list, however, gave only junior posts to the MPs, reserving such top posts as deputy party leaders, secretary general and deputies to non-MPs.

According to the

list, the party's secretary general was to be Wongse while three deputy secretaries-general were to be Chusa-nga Rittiprasart (Chiang Rai); Sompong Amornvivat; and Surapol Assawasirayothin, both financiers of the party. Deputy leaders as listed were ACM Dawee Chullasapya (Mae Hong Son), Gen Lek Naewmalee; Ob Vasuratana and Prida Kannasutr. The party spokesman was to be Vichit Sukviriya (Prachinburi).

Sayan Sakiya (Ayudhya), a staunch follower of Watana, said that Watana's faction had also drawn up its own list with the initial understanding that Watana would be made secretary general while other positions could be shared with the other faction.

"When we saw the other list, we immediately said it was unacceptable to us," Sayan said.

Kriangsak convened a compromise talks on April 23 when he invited both sides to his Bangkok residence. But the patch-up talks failed miserably.

"Not only did they fail to agree on any point but also they were engaged in very heated arguments. They challenged each other to a fight. And some of them nearly came to blows," said one MP present in the meeting.

In the end, Kriangsak resolved the problem by proposing that when the party

caucus "came" in two days' time (last Sunday), all factions would go for a free vote to pick the estimated 40 senior party executives.

Tension intensified when on the following day, both factions held their own meetings separately to thrash out their own strategy to "take control" of the party. Ob and members of his faction met at Sompong's Kloster Bier garden while Watana's group met at his house in Klongton.

Watana, by then, was ready for a confrontation. The list drawn up that night was a "direct confrontation" with Ob's group, said a pro-Watana MP. On Sunday, the list was openly distributed in the meeting.

"We were quite certain that we should have about 110 votes while the other faction would have around 70 votes," said another pro-Watana MP.

The confrontation has split the party "beyond repair." Ob has made it plain that his faction would not bow to Watana's pressure, indicating that Kriangsak would have to make up his mind to choose one of the two factions while Watana's group has threatened to set up a new party or revive one of the old names - Naew Mahachon or Dhammasangkham (Social Justice) to pursue its own goals.

OFFSHORE GAS PIPELINE DETERIORATING

Bangkok BANGKOK POST in English 30 Apr 82 pp 27, 30

[Text] Union Oil Co of Thailand and some government officials have expressed grave concern about the condition of the Petroleum Authority of Thailand's 424-km offshore gas pipeline, which is said to be deteriorating due to the lack of proper maintenance.

They warned that unless the PTT takes urgent steps to have the pipeline "pigged" at frequent and regular intervals and treated with corrosion inhibitor on a continuous basis, deposits of impurities will harm the pipeline beyond repair, as happened in Brunei.

The submarine pipeline, claimed to be the world's longest, is 425 kilometres in length, 34 inches in diameter, 0.625 inch in thickness, and coated with cement. It was laid about one metre under the seabed from Union's Erawan gas field in the central Gulf of Thailand northwards to the Rayong coast, where it was connected with the 170-km onshore pipeline to Bangkok.

The overall cost of laying both offshore and onshore pipeline was about US\$450 million, of which about \$400 million was for the offshore project.

In its letter to the PTT, Union Oil Co of Thailand, a subsidiary of the Union Oil Co of California, said it is "very concerned" about the condition of the offshore pipeline, as "it is

our understanding that the pipeline has never been pigged or treated with corrosion inhibitor since the start of gas transmission in August 1981."

It said that in the company's opinion the pipeline should be pigged at frequent and regular intervals and corrosion inhibitor should be injected on a continuous basis.

"Pig" is a piece of equipment that is inserted into a pipeline and is carried along by the flow of oil or gas; it is used to clean or monitor the internal condition of the pipeline.

Union Oil said it understands that the Electricity Generating Authority of Thailand (EGAT), the major consumer of the natural gas, has complained of "dust" in the gas, which could well be the result of corrosion.

"If so, the pipeline is already pitted making corrosion inhibition more difficult. This is due to inhibitor deposition in the pits. Also, sulphate reducing bacteria will

proliferate in the pits under the deposit causing further problems," the letter said.

"We also understand that PTT is experiencing fluid handling problems at the onshore terminal

after three years of use, the line was abandoned."

A senior PTT engineer admitted yesterday that the PTT has not "pigged" the pipeline or treated it with corrosion inhibitor, after the normal flow of gas in September last year.

However, the national oil company is preparing to have the offshore pipeline "pigged", probably every month after it receives recommendations from its two engineering consultants in the not too distant future," the engineer said.

The two foreign consultants commissioned by the PTT to advise on the pipeline's maintenance are the Houston-based

Fluor Ocean Services International (also the PTT's consultant on the pipeline laying), and the Canada-based Albertra Gas Co.

The PTT engineer, who asked not to be identified, could not say why the PTT had failed to "pig" the pipeline before "dust" and "liquid" were detected.

Government officials said that PTT officials might be ignorant about this maintenance procedure due to lack of experience in the field. The Erawan gas production project is the first large-scale Thai energy project.

They said Union is not the first to warn the PTT about maintaining the costly pipeline. Last February Tracy S. Park, vice president of a prominent US oil company, Tenneco Inc, warned Industry Minister Chatichai Choonhavan about the dangers of not maintaining the pipeline.

PROBLEMS IN PRC TRADE DISCUSSED

Bangkok THE NATION REVIEW in English 16 Apr 82 p 9

[Article by Pussadee Keetavoranart]

[Text]

THAI businessmen have complained about problems in trade with China which, they said, tends to change trade regulations frequently. Those most affected by the changes are importers of Chinese farm tractors.

Commercial Counsellor Tu Yue Shu, who has been posted to the Chinese Embassy here six months ago, recently admitted that there existed such a problem and nothing much could be done in Bangkok.

He explained to *The Nation* that China allows exports of almost every product and a major problem is that the same goods may be produced in several cities at the same time.

China's major cities for trading include Kwangzhou, Shanghai and Peking. Thai businessmen who represent Chinese traders in Shanghai for some particular products might be surprised by imports of the same product from Peking by another importer, who will be upset when he sees that the same product was bought from Kwangzhou.

"The quality is the same, but prices are different and this is the factor which counts most," a businessman said.

But Mr Tu said Thai businessmen, when facing this problem, would complain to the embassy which could not help much. "When they began transactions, they did not make it through the embassy. We also don't have much authority in controlling the trade between the two parties. When received complaints, we just forwarded them to Peking," Mr Tu said.

Thai businessmen have been competing in importing Chinese farm tractors because they yield handsome profits. Tractors are produced

in about 10 Chinese cities and they are almost identical in specifications. It depends on individual businessman who has to get the best bargain. Those who imported farm tractors at higher prices would soon find themselves in troubles when they face still price-cutting competition.

"Everyone of them claim that he is the sole agent for Chinese farm tractors," a businessman said. But Mr Tu explained that Thailand's market for farm tractors was once dominated by Japan. "But we are getting a big share now because our tractors are much cheaper."

Chinese trade authorities have not ignored the complaints, Mr Tu said. "Corrections are being considered. One way of achieving this is to centralize all export bodies under the head office which will fix uniform export price. Thai traders can then contact the headquarters directly without having to run around in many cities."

But this improvement will undoubtedly affect some businessmen because their number would be cut to facilitate transactions. "But this has to be made to solve this problem once and for all," Mr Tu said.

Though there are a number of problems in the Thai-Chinese bilateral trade, Mr Tu believes that there exist bright prospects for further expansion. He also believes that Thailand will enjoy surplus in trade with China.

Thailand began trade relations with China in 1975. In that year, the trade volume was only US\$20 million. By 1980 the volume rose to US\$440 million and dropped to US\$370 last year due to less imports of high-speed diesel from China. Thailand suffered US\$30 million deficit in the bilateral trade last year.

LABOR MARKET IN MIDDLE EAST SAID DECLINING

Bangkok THE NATION REVIEW in English 30 Apr 82 p 3

[Text] Job-placement agencies yesterday called on the Labour Department to explore new overseas markets for Thai labour in the face of the declining demand for Thai workers in the Middle East.

The call is among a set of proposals aired in a two-day seminar of about 80 representatives from job-placement agencies and labour officials which wound up at the Mandarin Hotel yesterday.

The private agencies also urged the Labour Department to shorten the process of passport issuance for workers to go abroad to facilitate the exporting of labour.

Pairat Chitprapai, a job-placement representative, said after the seminar that the major problem facing job-placement agencies is the limited markets for Thai labour due to stiff international competition.

"Our main competitors are China and North Korea whose workers are more capable of working harder than the Thai ones," he added.

He said that the overseas labour markets are demanding more skilled labourers than ever, especially welders and electricians. "The so-called 'construction boom is now over," Pairat said.

He said that the job-placement agencies want the Labour Department to play more active roles in training Thai workers in skills needed by in the overseas markets.

Touching on the proposal to speed up the process of passport issuance for workers going overseas, Pairat said the Labour Department should be removed from the process.

Workers to be issued with passports now have to be first given certificates from the Labour Department and their records screen from the Police Department.

"The Labour Department should cooperate with the Police Department to eliminate the unnecessary steps," said Pairat.

He added that the labour export should be promoted, given that it has brought a yearly revenue of about 10,000 million baht to the country in the past five years.

The job-placement agencies also proposed that the Labour

Department increase the limit on the commission rate for them from 25 per cent of the workers' salaries in the first month to 100 per cent at the maximum.

Labour Department Director General Vichit Sangthong said that he will consider the proposals posed during the seminar.

A labour officer said that the Labour Department will continue its policy to promote labour export which helps alleviate the problem of domestic unemployment and increase the revenue of the country.

FOREIGN-BOUND LABOR SITUATION DISCUSSED

Bangkok THE NATION REVIEW in English 4 May 82 p 5

[Text] For years, labour export has become a major earner of foreign exchange for Thailand. The issue was discussed intensively during a workshop held recently at Thammasat University.

The workshop "Thai Labour Abroad" was attended by a number of labour leaders and academics specializing in this particular field.

Here is an excerpt of the reports and views presented by the participants during the workshop which was held on April 27, 1982.

MORE than 160,000 Thai workers are working in foreign countries, mostly in the Middle East, and have been sending home more than 10,000 million baht a year to their families.

The outflow of Thai workers abroad is not a new phenomenon. It was believed to have started in earnest in the early 1960's when educated and newly-graduated began a hunt for fortune in the US.

However, the majority of them then were doctors, nurses and students who intended to pursue their studies and at the same time moonlighting. Job placement firms had very little role to play in this respect then.

It was estimated that over 23,000 Thai people (the figure based on immigrant visas issued worked by the US Embassy here) in the US between 1966 and 1977 but the real figure could be much higher.

There was also demand for foreign labour in some of the European countries, particular Britain. Beginning in 1972, a large

number of Thai workers was sent there and until 1977 they numbered over 1,700.

But the pattern of the labour export began to change in 1975 when countries in the Middle East entered the first stage of their economic boom. In 1975 the number of Thai workers going abroad through job placement firms was recorded at 944 but it jumped to 3,870 in 1977.

And since 1980 their number average over 25,000 a year.

Singapore was also a big attraction. In 1979, the Labour Department sent 1,251 workers to that country but the size of the Thai labour going there in the following years was limited because of Singapore's restriction on foreign labour.

After 1977, however, the markets for Thai labour in the Middle East have greatly expanded. Apart from the traditional markets in Saudi Arabia and Bahrain, Thai workers found welcoming hosts in Iran, Kuwait, United Arab Emirates, Qatar, Yemen, Jordan, Iraq and Israel.

Libya now has the second largest number of Thai workers in the Middle East despite the fact that the country was officially open to Thai labour only in 1980.

The unfavourable economic condition coupled with mounting unemployment — and no less important the lure of handsome income — spurred the rush of Thai workers to these foreign countries.

Job placement firms subsequently mushroomed in almost every part of the country. In addition to Bangkok, these job placement firms can be found in Chonburi, Rayong, Khon Kaen, Nakhon Ratchasima, Udon Thani, Nakhon Sawan, Lampang and other major provinces.

It is a rewarding business that needs very little investment. A small shophouse with little decorations and furniture are enough for someone to set up a simple job placement firm. Workers prefer to deal with private job placement firms apparently because the Labour Department is more meticulous in screening potential workers to be exported.

But in going through job placement firms the workers also run the risk of being cheated. Many of the firms turn out to be illegal. Police reports show that these firms shift from one place to another under different names.

Thousands of workers have lost their life-time savings because they are deceived by these bogus job placement agencies which disappear the next day after receiving deposits from them.

SOME CHARACTERISTICS OF THAI LABOUR

Since 1980, the Labour Department has imposed a ban on export of women workers to the Middle East countries following frequent scandals. However, Thai women workers still find jobs in Singapore, Japan, Macao, Europe and the US.

According to available statistics, natives of Northeastern provinces constitute the majority of the Thai workers overseas, representing about 40 per cent of them. Udon Thani tops the list of provinces which claim the biggest share in the

labour export. Next are Bangkok, Lampang, Nakhon Ratchasima, Chonburi, Tak, Khon Kaen, Nong Khai, Samut Prakarn and Nakhon Sawan.

It is noticeable that southerners make up only a small portion of the Thai labour export. This could be explained by the better job opportunities in that particular part of the country which is rich with natural resources.

While the average age range of the workers going overseas is between 25 and 35, Pathom 4 appears to be the maximum education for most.

Most of the workers are married and that this explains the motive of their desire to get paying jobs overseas. Surveys also show that they also maintain large families, most with an average of six members that have to be taken care of.

Farming is the basic occupation of most of these workers who are skilled and semi-skilled labour.

EXPENSES

The most sizable expense needed for any workers heading overseas is the brokerage which before 1978 averaged about 10,000 baht. But workers have to pay as much as 20,000-30,000 baht each today for a job — which is not always there.

Most of the job placement firms claim that the brokerage also cover the air tickets. But the fact is that the companies that offer employment normally pay for the expenses. So the job placement firms tend to pocket the whole brokerage.

Then come the expenses for passports. Since most of the workers have little formal education and live in upcountry, getting hold of passports is a big burden. They are willing to pay the job placement firms or travel agencies to do the job. While the official passport fee is 1,000 baht, the job placement firms would charge as much as 2,000-3,000 baht.

The "extra fees" charged for passports by job placement firms amount to about 160-200 million baht a year. (The figure is based on the number of 160,000 workers applying for jobs abroad each year.)

Another form of "exploitation" by job placement firms against job

applicants is the imposition of a pre-condition for "skill test." Without assurance for jobs, almost every applicant is subject to skill test which would cost them between 300-500 baht each. Again, it is the job placement firms which directly pocket this amount of money.

Job seekers will also have to bear the cost of transportation and expenses in making contacts with job placement firms. And since they mostly come from the up-country, the cost is enormous.

The bills for medical examinations and fees for applications forms also have to be covered by the applicants themselves.

In many cases, some applicants have to borrow money from relatives, friends or even loan sharks, to finance their trip. They subsequently have to pay for the interests.

A survey of the National Economic and Social Development Board (NESDB) shows that as many as 37 per cent of the workers applying for jobs overseas obtained loans from one source or another to pay for their applications and trip.

The total expenses for each of the job applicants come to about 20,000-40,000 baht and yet even with that amount of money there is always a chance that they will not get the job they want.

THE PROS AND CONS OF LABOUR EXPORT

The most visible benefit from labour export is the amount of repatriated remittance. Last year more than 10,000 million baht was sent back by Thai workers abroad to their families through the Bank of Thailand.

The outflow of workers has certainly eased problem of domestic unemployment to some extent but it is definitely not a permanent solution.

Most of the Thai workers are employed by major firms with modern technology and administration which offers chance for them to boost their knowledge in these fields.

However, the continued labour export leaves a gap in the local

labour market for skilled workers — particularly technicians and engineers.

The huge foreign income earned by the workers and sent back to their families is not always used economically. While the repatriated remittance boosts the foreign exchange income of the country, surveys show that the money is often used on luxurious goods, such as electrical home appliances, stereo sets and decorative pieces.

TROUBLES AND IMAGES

Most of these products are imported and the money spent on them practically off-sets the foreign income earned by the workers.

There is also a problem of "brain drain" as a result of the outflow of the skilled and professional people.

The labour export also has other negative effects. Many would-be workers were plunged into deep financial troubles because they were cheated. And many of those sent overseas have given the country a bad image because of their behaviour. At least two Thai workers have been hanged in Kuwait after they were found guilty of robbery and murder.

The long absence of breadwinners of families here sometimes lead to serious family problems.

Though the income offered by the jobs overseas is attractive, many of the Thai workers have to endure hardships both mentally and physically. Some have reportedly suffered from nervous breakdown because of the completely different social environments and culture they have to encounter in the countries they work.

Thai labour officials are often not in the position to extend help to workers in trouble. Many workers were maltreated by their employers or forced to work in bad working condition.

READJUSTING

For many of the workers, readjusting themselves to environments here after their return is also a problem. More often than not, they are unable to get paying jobs here.

SUGGESTIONS

Weighing the pros and cons of the labour export, Thailand certainly benefits more than it has to lose. But there are ways that the government can minimize the "cons" and put a better control on the problem.

The present Labour Act can do very little to deter unscrupulous job placement agencies from exploiting or deceiving workers. There are now attempts to push through a new legislation that will impose severe punishment on illegal job placement firms and those found deceiving workers.

The legislation is also designed to impose more restriction on the setting up of job placement firms. But again, what is more important is the way the legislation is enforced. The law could be tough but if it is not effectively enforced the problems will still remain.

OTHER SUGGESTIONS:

1) The government should establish contacts with high authorities in countries where Thai workers are working so that it will be kept informed of their problems.

2) The administrative structure of the Labour Department should be improved so that it will be able to provide more efficient work in controlling labour export.

3) The Labour Department, Police Department and Foreign Ministry should jointly crack down on illegal job placement firms. Joint action should also be taken against people disguising as workings but

who want to go abroad for other purposes, such as for gambling and trafficking.

4) The government should find ways to collect the "excess" of profits earned by private job placement firms. Taxes should also be levied on workers who are still exempt from taxes. By collecting 5,000 baht of taxes from each of the workers, the government will be able to earn up to at least 1,000 million baht a year.

5) A more efficient and systematic management of Thai labour abroad should also be introduced so that Thai workers can be better protected. Labour offices should be set up in those countries and the existing staffs enlarged.

6) The government should begin consistent public relations work to publicize the names of illegal job placement firms and the nature of the laws, culture and tradition of countries where Thai workers are sent to.

7) A government-operated job placement firm, which will have the equivalence of a state enterprise under the Labour Department, should be set up to compete with private job placement firms.

8) The Labour Department should conduct skill tests for applicants who will be issued with certificates that can be used when applying for jobs.

9) The Labour Department should decentralize its power so that provincial administrations can handle job applications and screen would-be workers. This will save expenses for applicants who today have to travel to Bangkok to file their applications.

Table showing the number of Thai workers in nine Middle East countries:

Countries	1980	1981
Saudi Arabia	60,000	100,000
Libya	10,000	20,000
Iraq	10,000	20,000
Bahrain	5,000	5,000
Kuwait	5,000	5,000
United Arab Emirates	2,000	3,000
Qatar	2,000	3,000
Jordan	2,000	2,000
Yemen	-	1,000
Total	96,000	159,000

Source: Labour Department

LABOR LEADERS FACE INTERNAL PROBLEMS

Bangkok THE NATION REVIEW in English 1 May 82 p 9

[Text] As hundreds of thousands of workers pour onto the streets today to display their unity to mark May Day, their leaders are still engaged in squabbles over the direction to be taken by the labour movement in the continuing struggle for its voice to be heard.

While the majority of the workers who live from hand to mouth are still struggling hard for their basic rights, a handful of labour leaders have called for a greater political role by the labour movement.

Though the move does not strike any chord among the ordinary workers, it has indeed gained momentum within a limited circle of labour activists and sympathetic academicians.

But within the labour movement itself there are also voices raised against the idea which one labour leader has described as "a luxury."

For years, the existing labour unions and labour organizations have proved to be a flop when it comes to the question of defending the right and interests of the workers.

It has been frankly admitted that one main reason for this failure is the lack of uniformity among the labour unions and organizations which tend to strive on their own without direction.

Sanan Wongathuee, the leader of the National Congress of Thai Labour (NCTL), said that less than 30 per cent of the labour force in Thailand is covered by the labour union system.

The president of the Labour Congress of Thailand (LCT) Paisal Thawatchakorn said while there are

today more than six million workers, only 380 labour unions exist.

The strength and credibility of the labour movement has also been undermined by government-created labour bodies, Paisal said.

The employers still wield overwhelming power to dismiss dissident workers at will and the Labour Law seems to be on their side, he said.

However, the "divisions" among the labour themselves is also another major factor that bars workers from uniting to forge ahead with one voice.

There are now three major labour organizations - LCT, NCTL and the Free Labour Council of Thailand - which profess different objectives. The leaders of these organizations have not always been on friendly terms and it was only recently that they began to join hands for common activities.

All these weaknesses facing the labour movement have finally convinced a group of labour leaders that what they need is, of course, more political bargaining power if they are to gain some leverage over employers and the government.

With the support from some progressive-thinking army officers and intellectuals, the labour leaders formed a political party by the

name of "Democratic Labour Part" which is designed to represent the labour.

It was said that among the active supporters of the party is Prasert Sapaithorn, a former member of the Communist Party of Thailand (CPT) and now a well-known theoretician and an adviser to the so-called "Democratic Soldiers Movement."

Sanan of NCTL has openly voiced opposition to the labour party. Those who are against the political role of the labour movement, argue that the majority of the workers today still cannot defend themselves against unfair mass lay-offs or earn enough to make ends meet.

"This is one weakness that could eventually deprive the party of the mass support. And there is certainly always the opportunity for the party to be used to serve the interests of some particular groups of people," one labour leader observed.

Labour activists opposing the

political role, suggest that the labour movement will be able to achieve bargaining power only when the labour unions system is strengthened.

Once all the labour unions become self-supporting and command bargaining position the call for political role for the labour movement will be more realistic," another labour leader said.

He said because of their failure to exert power, most of the labour unions are somehow becoming a powerless bodies in the eyes of the workers. And there are worries among labour activists that the gap between labour unions and workers will widen because of the failure of the first to defend the latter.

"Most of the workers, as we know, are poor wage-earners. Once they have lost faith in their labour unions how could we expect them to be interested in politics?" asked a labour activist which opposed the political role of the labour movement.

LABOR MOVEMENT SEEN AS PROBLEM-PLAGUED

Bangkok BANGKOK POST in English 1 May 82 p 4

[Article by Supoj Panichwongse: "Little To Celebrate on Labor Day"]

[Text]

LAST November, nearly 100 people from labour unions, employer's associations, government offices, and some other careers were invited to take part in a seminar on the labour situation.

The seminar turned out to be almost as much an argument as a discussion because the topic, "The Critical Labour Situation at Present," sparked off disagreements between the two main groups of participants — the employers and the workers.

The employers' side said something like: "There are no severe problems at present." The labour side retorted: "Oh yes there are," pointing out that hundreds of workers had been laid off here and there, some were arrested during a strike, and others had been locked out of their factories.

However, the seminar ended peacefully and various interesting questions about the labour situation were left in both the participants' and the audience's minds.

More than four months have passed, and now it is Labour Day. Though most people would think that nothing "critical" has occurred yet, the workers might feel differently.

The labour movement planned to celebrate Labour Day in Bangkok and four other provinces, but the celebrations seem to be only a "relaxation," while bitterness remains in the workers' hearts.

PROBLEMS

During the past year, two problems have dominated labour affairs, and have been aggravated as time has passed. The first is that huge number of workers have been laid off and many factories closed. Since last October, more than 50,000 workers have lost their jobs because of the pressure of the country's economic problems on the financial situation of their firms. The minimum wage which went into effect last October was said by many labour leaders to be "not enough even to buy three meals a day," whereas the employers said it was too much.

Still, Thai labour faces another problem perhaps even greater than these: the problem of "labour unity". As present, there are three labour federations in our country: the Labour Congress of Thailand, the National Congress of Thai Labour and the Free Labour Union Congress of Thailand. Their membership is only about 180 workers' unions, yet the number of unions registered at the Labour Department is nearly 400.

A mere 45 per cent of the country's unions have joined one or other of the congresses to form larger organisations. One simple reason might be that the independent unions do not see any necessity to join a federation while their activities have progressed smoothly and while there is no guarantee of any great profit from membership.

The Labour Congress of Thailand, led by Paisal Thawatchainan, comprises 135 unions; the National Congress of Thai Labour, led by Sanan Wongsuthee, has 35; and the Free Labour Union Congress of Thailand, led Boonrod Phungthad, has eight.

LCT seems to be the most active federation. Its members are mostly from state enterprises. LCT also has the most complicated internal conflicts; workers' leaders have formed alliances within the congress based on their opinions of how labour problems should be solved. This has obviously weakened the organisation.

NCTL members are all from private enterprise, and the activities of the federation are clearly distinguished from those of LCT. NCTL leaders have full-time jobs outside their union work so they cannot devote themselves as fully to the activities of the federation as LCT leaders can. They also seem to be more careful when they want to bargain for better pay and fringe benefits, possibly because they have less job security.

LCT leaders encourage their members to study the procedures in demanding better pay and conditions, while NCTL lays more stress on providing its members with information on industrial diseases and safety at work.

FLUCT seems to be the least active federation, and the public knows little of its activities; it has few members and little influence.

A sign of stronger and more cohesive labour action appeared last year after some factory workers' leaders were killed and more than 50 workers at another factory were arrested while they were calling a strike.

In September, the three labour federations decided to form a joint committee, made up of five members from each, to tackle the workers' problems and to urge the Government to try harder to solve the country's economic problems.

Cooperation has continued with the decision of the three congresses to hold joint celebrations today. LCT has led the celebrations alone.

LCT leaders believe that the best way to solve labour problems is by forming a political party dedicated to the workers' cause. It also believes that such a party should be run by the workers themselves. The idea has

been criticised by other labour groups, however.

According to a report of the National Economic and Social Development Board, the country's labour force — people more than 11 years old — of our country is 24.22 million this year; 17.16 million are farm-workers, and of the remaining 7.06 million, the 2.04 industrial workers and 240,000 state enterprise workers are the most powerful groups.

DISPUTES

Although the first Thai labour organisation was set up in 1897, labour power has not grown as much as in other countries. Most movements of Thai labour have always been the result of the workers' action in pressing their employers to provide them with better pay and fringe benefits or sometimes urging the government to solve the disputes with their employers.

Since the germination of the labour organisation 85 years ago, its stem has been chopped off several times by various governments for politic reasons. Some politicians, realising the enormous potential power of the labour movement, have courted the workers for their support.

Thai labour has recently started to communicate with international labour organisations and have learned more "progressive and effective" ideas about the labour struggle from their foreign counterparts; in doing so they often forget the great structural differences between our society and those of foreign countries.

It is a fact that Thai labour leaders have concerned themselves almost exclusively with conditions at the top of the labour pyramid — in the state enterprises and big private establishments. They have generally ignored their long-suffering fellows at the foot of the pyramid — the agricultural workers.

This lack of homogeneity and the shortage of proper aims in their struggles seem to raise very great obstacles to the advancement of Thai labour. On the occasion of Labour Day today, there seems to be little for the labour movement to celebrate with pride.

ALTERNATIVE ENERGY USE PROJECTED BY ENERGY OFFICE

Bangkok DAO SIAM in Thai 21 Apr 82 pp 3, 8

[Article: "Solar Energy Used In Place of Oil"]

[Text] Mr Prawit Ruyaphon, the secretary-general of the National Energy Administration, achieved success in the tests to develop alternative energy from natural energy sources such as biogaseous materials, the wind and sunlight. These energy sources will be used to provide greater benefits and they will be used more widely among the people and in industry. The National Energy Administration has set a target for promoting the use of alternative energy. The goal, as set forth in the 1982-1986 5-year energy development plan, is to develop the production of biogaseous energy from animal dung.

Help will be provided in establishing models for small farmers, farm groups or agricultural students so that they can produce 20 million cubic meters of biogas by 1986, which will replace 10 million liters of crude oil each year. At present, biogas is able to replace only 300,000 liters of crude oil per year.

As for the development of wind energy, the use of windmills to pump water for consumption, crop cultivation and animal husbandry will be promoted. Ten thousand windmills will be put into use in order to obtain 60 million cubic meters of water a year by 1986. Wind energy will be able to replace 1 million liters of crude oil each year. At present, the use of wind energy to pump water is replacing only 200,000 liters of oil per year.

The secretary-general of the National Energy Administration added that, as for the use of solar energy, the use of solar energy to heat water will be promoted. At present, the use of solar energy to heat water is replacing approximately 1.2 million liters of oil annually. This will be increased 9 million liters by 1986. At the same time, the use of solar cells to produce 100 kilowatts of electricity in 1986 instead of the 10 kilowatts now being produced will be promoted.

Besides this, the national Energy Administration plans to build 10-30-kilowatt generators that run on fuel from animal dung. There will be five model generators. At the same time, models of fuel-conserving stoves, highly-efficient stoves that produce charcoal and chaff-burning stoves that produce charcoal will be disseminated and drying technology using solar energy, water pumping technology, technology for producing biogas and technology for conserving energy will be popularized.

11943

CSO: 4207/94

MILITARY RESERVE AFFAIRS TO BE COORDINATED AT NATIONAL LEVEL

Bangkok DAO SIAM in Thai 6 May 82 pp 3, 10

[Article: "Center For Coordination of Military Reserve Affairs Opened; Will Have 500,000 Members"]

[Text] General Prem Tinsulanon, the prime minister, opened the Center for Coordination of Military Reserve Affairs at the Army Club. He is the president.

In his capacity as chairman of the Reserves for National Security Committee, General Prayut Charumni, the commander in chief of the army, stated that the aim in establishing this center is to have it administer the Reserves for National Security Program, which is under the control of the army. This program was the idea of the prime minister, who wanted to join the large number of reserves throughout the country in one group. Reserve organizations have been established at the village, commune, district and provincial levels in the areas where reservists are living. The intention is to give the reservists, who are felt to be disciplined people, a chance to be leaders in their localities and to help strengthen the country's security politically, economically, socially and militarily.

The Center for Coordination of Military Reserve Affairs will administer program affairs and coordinate things with the ministries, bureaus and departments concerned and with the reservists. The officials who carry out things in the center will be civilian, police and military officials from the ministries, bureaus and departments concerned with the Reserves for National Security Program. This center will be composed of one office and six sections: The office of the Center for the Coordination of Military Reserve Affairs, the policy and planning section, the political section, the economic section, the social, psychological and public relations section, the military operations section and the support section.

Activities have been carried on in accord with the Reserves for National Security Program since the end of 1981. At present, reservist organizations have been established in 164 districts in 29 provinces. Almost 50,000 reservists are members. It is expected that, by the end of 1982, organizations will have been established throughout almost the entire country and that there will be at least 100,000 members. As for 1983, the target that has been set is to increase membership by another 500,000 men by establishing reservist organizations throughout the country.

RESERVISTS TO GET ROLE IN LOCAL DEVELOPMENT, SECURITY

Bangkok DAO SIAM in Thai 30 Apr 82 pp 3, 10

[Article: "Cabinet Gives Permission to Establish Center to Promote Military Reserve Affairs In Order to Gain Political Benefits and Help Look After Local Administration"]

[Text] The cabinet has allotted 2,873,500 baht in the 1982 budget for establishing and administering the Center for Coordination of Military Reserve Affairs in accord with the Reserves for National Security Program.

This program is a new and important program. It is an urgent policy that must be implemented in fiscal year 1982 and in the years to come. The Reserves for National Security Program has various goals. On the political front, the goal is to have the reserves play a role in local administration and have them implant political ideals among the people in order to have them form a base for administrative development in the democratic system with the king at the head and to guard against and counter other forms of administration.

On the economic front, vocational development will be promoted and the standard of living of the people in the villages will be raised. This will help the economic position of the people in general hit the targets in accord with the National Economic and Social Development Plan.

On the social and psychological front, religious activities and the wonderful traditions, customs and culture of Thailand will be promoted. Discipline and unity will be enhanced. And values and a sense of common responsibility will be instilled so that these things exist in local society.

On the military front, this is being done so that the reservists and men who have registered for military service join forces together to maintain safety in the localities, provide support concerning intelligence activities in the area to help the military units and government officials concerned and provide support in selecting men who have registered for military service, calling up men and mobilizing troops.

11943

CSO: 4207/94

STUDENT BUILDS NATION'S FIRST LASER

Bangkok BANGKOK POST in English 16 Apr 82 p 2

[Text]

AFTER two years of hard work a technology student has built Thailand's first laser apparatus.

The development is considered a major high technology breakthrough in Thailand, and possibly the region.

The student, Mr Somsak Cheirsirikul, 26, demonstrated his 50,000 baht machine at the Hua Mark Trade Fair on Wednesday night when he used the laser beam to light a match and burn a hole in a piece of paper.

Mr Somsak is studying for his Master of Science degree at the King Mongkut Institute of Technology (KMIT) Lard Krabang campus where he also lectures to Bachelor of Science students.

Mr Somsak said that the laser (an acronym for Light Amplification by Stimulated Emission of Radiation) was of the gas type and used a mixture of helium, nitrogen and carbon dioxide.

The gases are mixed in a vacuum glass tube which is sealed at one end by a reflecting plate while the laser beam is discharged at the other end through a "window"

made of sodium chloride crystal.

An electrical charge is applied to the tube to make the gas discharge its energy in the form of electromagnetic waves at visible frequency (the laser beam itself).

The laser projects a pink-coloured beam.

The dean of the engineering faculty at the KMIT Lard Krabang campus, Dr Kosol Petchsuwan, said a feature of the laser apparatus was that all the parts were homemade.

Dr Kosol forecast that the laser would eventually play a role in society as important as that already played by computers.

He said the Lard Krabang campus, which specialises in electronics and telecommunications, had taught laser technology for the past seven years.

The campus had begun making laser equipment about four years ago and it had been used by Mr Somsak when he started his laser project about two years ago.

Dr Kosol said the campus had been lucky

enough to gain the services three years ago of an Irish physicist, Dr Daniel Breen, who had formerly lectured at Chiang Mai University.

He said Mr Somsak was among a group of students whom Dr Breen had been assigned to teach.

Mr Somsak had made the laser under the supervision of Dr Breen even though the physicist had not made one himself.

He said Mr Somsak's apparatus was proof that Thailand could make high technology equipment.

Dr Kosol said the Institute wanted to explore the possible military, communications and industrial uses of the laser.

He complained that there was little encouragement in Thailand for major developments in science and technology.

Dr Kosol said that this was why history books listed such developments as when electricity and a telephone service became available in Thailand but had no references to major breakthroughs by Thai scientists.

BAHT DEVALUATION THIS YEAR UNLIKELY

Bangkok BANGKOK POST in English 16 Apr 82 p 27

[Text] The Government is not expected to devalue the baht this baht this year as the devaluation in July last year put the currency in an appropriate position, Mr Somboon Nandhabiwhat, newly elected chairman of the Thai Bankers' Association, said yesterday.

Mr Somboon said he had full confidence in the value of the baht.

He said that the effects of the decision last July to devalue the baht by 8.7% against the US dollar were not yet apparent and it would take more time before the results of the move could be fully assessed.

On the domestic money market, Mr Somboon said that although it has been tight in recent weeks, the situation was not expected to get as bad as last year.

US interest rates were not expected to rise much

higher, he said.

The tight money market is the result of the tax payments falling due at the end of May and all commercial banks having to clear their mid-year accounts at the end of June.

Mr Somboon said that during his recent call on Finance Minister Sommai Hoontrakul with other directors of the TBA, two issues were discussed and the minister had asked them to write official letters clarifying the situation.

They included the talks on the diversification of

commercial bank shareholders and the regulations concerning the opening of more commercial bank branches in the provinces.

Mr Somboon said the Government's requirement for commercial banks to diversify their shareholdings and to increase the number of small shareholders in commercial banks may not be met by the commercial banks before the deadline set this year.

He said these regulations were drawn up years ago when the stock

market was active. The market has become much less active and this had made it extremely difficult for commercial banks to diversify their shares to the small shareholders within the specified period.

Mr Somboon said that commercial banks were also concerned about regulations concerning the opening of new branches in the provinces as some of them were considered impractical.

He said one of the most difficult regulations required a bank branch to extend 20% of its total deposits as agricultural credit. This requirement was difficult to follow, for example, in the South where Mr Somboon claimed that mining, rather than agriculture, was the major sector of activity.

Meanwhile, Mr Somboon urged the Government to give priority to the problems facing many major industries.

CSO: 4220/649

THAILAND

BRIEFS

HILLTRIBE CENSUS--The Public Welfare Department has estimated the total number of hill tribesmen living in Thailand. In the latest survey that was conducted at the end of last year, it was found that there are approximately 500,000 tribesmen living here. The figures disseminated by the Public Welfare Department last week show that these hill tribesmen live in 61,733 dwellings in 2,840 villages. These tribesmen can be divided into six major tribes: the Meo, Yao, Lahu, Liso, Akha and Karen. In addition to these, there are also some Thin, Khamu, Lawa and Phi Tong Luong. Concerning the hill tribes that were surveyed, the largest tribe was the Karen with 200,038 members. After the Karens came the Meos with 38,225, the Lahu with 29,750, the Yao with 27,450, the Liso with 15,877 and the Akha with 13,791. Mr Pramuan Chanchamnong stated that the Public Welfare Department was able to reach only 300,000 of the tribesmen because of a "severe shortage of officials." [Text] [Bangkok SIAM RAT in Thai 19 Apr 82 pp 1, 12] 11943

CSO: 4207/94

END

END OF

FICHE

DATE FILMED

June 10, 1982